EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,957 | Wednesday September 27 1989 | D 8523A

WEST GERMANY
Rail-link plan turns people Green
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World News

Commission plans new aid package for East Europe

The European Commission proposed new Community aid to Poland and Hungary of $277m and challenged other western countries to match its assistance to the two East European economies. Page 22

Greek assassination

Guerrillas shot dead Paul Bakoyannis, son-in-law of the Greek Conservative Party leader, accusing him of having helped a fugitive banker steal from the people. Page 22; Analysis, Page 2

Soviet debate

President Mikhail Gorbachev, making a surprise intervention in a stormy parliamentary debate, supporting deputies who criticised the Soviet Union's controversial private sector. Page 2; Budget analysis, Page 22

US-PLO relations

Relations between the US and the Palestine Liberation Organisation may be damaged by the refusal of US visas for PLO officials visiting the UN in New York. Page 5

Hopes for refugees

Hopes of a breakthrough over the more than 1,000 East German fugitives quartered in the West German embassy in Prague rose after they were guaranteed emigration. Page 2

Chinese threat

China's leaders denied the Tiananmen crackdown was a tragedy and voiced no regret for the deaths of unarmed civilians. Press conference; Japanese relations, Page 4

Cosatu plans march

Cosatu, South Africa's largest black trade union federation, said it would stage mass protest marches in the main cities next month, while Pretoria showed signs it would take a tougher line against peaceful demonstrations. Page 4

HK confidence

Britain is to make a strong appeal to China to take steps to restore the confidence of the people of Hong Kong in their future. Page 4

Quebec victory

Premier Robert Bourassa won a large majority in the Quebec parliament, beating off a strong separatist challenge. Page 5

Khmer Rouge attack

Khmer Rouge guerrillas say they have captured two more positions in western Cambodia and killed or wounded "a number" of Vietnamese soldiers. Earlier story, Page 4

Filipino killings

Suspected Communist rebels killed two Americans near a US military base, shortly before US Vice President Dan Quayle arrived for a visit.

Palestinian appeal

Palestinian leaders appealed for an end to a spate of killings of Arabs in the occupied West Bank and Gaza Strip amid concern that attacks on alleged collaborators and factional infighting have got out of hand. Page 4

Afghan plague

A locust plague in northern Afghanistan could result in as many as half-a-million new refugees this year, according to a report by the Swedish Committee for Afghanistan. Page 4

Business Summary

UK August trade gap surprises markets

UK share and Government bond prices fell sharply after official figures showed Britain's current account deficit for the year widened by a further £2bn ($3.2bn) in August. The figures were £500m worse than the markets expected. Page 22; Background, Page 8

DRG, UK paper and packaging group, became the target for a $1.129bn hostile takeover bid from Pembridge Investments, Bermuda-registered investment company. Page 23

OPEC oil ministers meeting in Geneva were studying an Iranian proposal for a radical redistribution of production quotas. Page 36

ITALIAN Government refused to accept the European Commission's latest restructuring proposals over the closure of the Italian steel plant at Bagnoli, near Naples. Page 2

SONY, Japanese electronics group, is expected by stock market analysts to announce an agreed bid for Columbia Pictures Entertainment, owner the Hollywood film studio of about $3.4bn. Page 23

BRITISH Airways launched a $515m rights issue to finance part its investment in the buy-out for United Airlines (UAL), US carrier. Page 23

INSTITUT Mérieux, French biotechnology company, plans to finance its acquisition of Connaught BioSciences with a letter of credit guaranteed by its major shareholder, Rhône-Poulenc. Page 24

BUNDESBAHN, West German federal railways, is concerned about delays holding up planning on the Frankfurt-Cologne high-speed train. Page 3

SOCIETE Générale de Belgique, leading Belgian holding company said its share of group consolidated profits amounted to almost $287m in the first six months. Page 25

WORLD Bank has enlisted the help of official export credit agencies to create a new facility designed to channel funds to private enterprises in developing countries. Page 6

KIKKOMAN Corporation, Japanese food producer, is picking up pieces of the RJR Nabisco sell off, and wants to protect its domestic market share as much as raise its international profile. Page 27

A&M RECORDS, one of two large US independents, is negotiating the sale of the company to Polygram International, a 90 per cent-owned offshoot of Philips, Dutch group. Page 24

AMERICA'S National Knitwear and Sportswear Association has filed an anti-dumping case with US Government against imports of man-made sweaters from Asia. Page 6

LUFTHANSA, West German carrier, is to order 20 Airbus A-321 aircraft, with options on another 20. Page 6

PIONEER International, Australian-based international building materials and resources group, announced it would dispose of all its mineral interests, estimated at up to $396m. Page 27

SEAMAN Furniture, troubled New York-based furniture retailer acquired by Kohlberg Kravis Roberts, announced a restructuring plan that would involve losses for its junk bond investors. Page 24

TAIWAN is having second thoughts about reforms which would open the antiquated state banking system to private competition. Page 4

PANDA Motor Company, car manufacturer owned by the Unification Church – known as the "Moonies" – is to invest $250m in a car plant in the southern China. Page 6

BAT unveils plan to fight off Hoylake's hostile bid

By Nikki Tait in London

BAT INDUSTRIES, tha tobacco-hased conglomerate, yesterday unveiled a radical plan to slim down the business to fight off the £13.5bn ($21.8bn) bid from Sir James Goldsmith's Hoylake consortium.

Under the plan, which would leave BAT with two main businesses – financial services and tobacco – the company's papermaking activities and the Argos retail business in the UK would be demerged to form two new quoted companies. Meanwhile, tbe group's US retail companies and a handful of miscellaneous interests would be sold.

The five-point package also inclndes plans for significantly higher dividends and for a possible share buy-back scheme. In addition, BAT forecast a 22 per cent increase in pre-tax profits in the current year to around £2bn.

Mr Patrick Sheehy, BAT's chairman, however, denied that the conglomerate was doing tha very "unbundling" which has been at the heart of the Goldsmith proposals. He pointed out that profits from the remaining business – financial services and tobacco – ware expected to account for over 80 per cent of the group's pre-tax total in 1989.

The BAT chairman acknowledged that there had been substantial pressure from institutional shareholders for BAT to find a means of closing the gap between its perceived underlying value and its share price.

"Clearly, shareholders urged us to ensure that the real value is reflected in the share price," he said.

Mr Sbeehy, however, claimed that this agitation and the Hoylake bid had only accelerated an internal review of BAT's strategy.

Patrick Sheehy: acknowledged pressure from shareholders

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Defending the strategy of keeping both the financial services arm and the tobacco business – rather than undertaking a full damerger – Mr Sheehy said he believed they were "an excellent combination," with tobacco's strong cash flow enhancing the higher growth opportunities on the financial services side.

He ruled out any hig acquisition in continental Europe on the financial services side in the short term, suggesting that the company concentrate on "in-fill" deals in the immediate future.

Yesterday's announcement came a day ahead of BAT's appeal against a Takeover Panel decision allowing the consortium extra time in the bid. Unless the appeal is npheld, Hoylake is expected to lapse its offer, pursne certain regulatory consents in the US and possibly re-bid.

Hoylake's reaction to the takeover target's move was to "commend BAT's decision to unbundle and to move to a refocusing of its business". The bidder said it welcomed the decision to "return to shareholders a fuller proportion of profits, as well as the plan to purchase shares."

Hoylake added tbat it intended to vote in favour of the proposals at the extraordinary meeting of shareholders called for October 19. It holds a 1.25 per cent stake in BAT. The hidder added the caveat that it would wish to consider details of the scheme.

Yesterday, Mr Jacob Rothschild, one of the principal consortium members, said Hoylake was inclined to continue seeking regulatory approvals in the US necessary for a change of ownership of BAT's US insurance husiness. This would suggest that the option of making a renewed bid for what remains of BAT has not been ruled out.

The BAT initiative, meanwhile, had a mixed response among institutions. Many said they were pleasantly surprised at the extent of BAT's proposals and welcomed the package.

"Apart from chopping off the chap's legs and totally emasculating him, what more could we ask for?" said one. "Shareholders sbould vote this through with a smile."

A few others sounded a more cantious note, suggesting that they would want to weigh the extent to which these proposals might enhance the share price, and were still qnestioning whether a full demerger might have heen preferable. Another fund manager wondered BAT would now bsve any defences left if a new bid did arrive in the future.

The details of the five proposals are:

● Shareholders would be given equity in two new quoted companies – Argos,

Continued on Page 22

Soviets propose to destroy all chemical arms

By Peter Riddell, US Editor, in Washington, and Michael Littlejohns at the United Nations in New York

THE Soviet Union proposed yesterday that the superpowers "completely destroy" their chemical weapons and renounce their use in any circumstances.

Welcoming US President George Bush's offer in the United Nations General Assembly on Monday of an 80 per cent cut in chemical weapons stockpiles, Mr Eduard Shevardnadze, the Soviet Foreign Minister, told delegates in the same forum that Moscow was ready to go even further.

Mr Shevardnadze said that before signing a comprehensive international treaty banning such weapons, the Soviet Union was ready to join the US to end their production on a bilateral basis. They would also radically reduce or completely detroy Soviet and US stocks of chemical weapons as a step towards their global destruction, renouncing their use under any circumstances and instituting rigorous verification to ensure that no more weapons were being produced.

The White House described Mr Shevardnadze's speech as "a very constructive response," which showed that both countries were "on the same wavelength."

Looking towards a US-Soviet summit next year – which he and Mr James Baker, the US Secretary of State, worked out in their weekend talks in Wyoming – Mr Shevardnadze said that by then "the last turn on the road towards a treaty rednciug strategic offensive arms" might be reached.

However, he cautioned against euphoria in the current political climate, saying that the nuclear threat had been reduced but that only the complete elimination of nuclear capabilities would help sttain real security.

Mr Shevardnadze said the Soviet Union was ready to "reinstate its moratorium on all nuclear explosions any day and hour, if the US reciprocates." So far the US has declined.

He also proposed that the production of nuclear fissionable material for weapons should be halted and the ban verified. He said that more Soviet reactors prodncing weapons-grade plutonium were being shut and by 2000 all would have been closed.

Mr Shevardnadze welcomed President Bush's call for an "open skies" policy of overflight of each others' territory. He said the Soviet Union called for "opening np the lands, the water, and outer space. Only then shall we attain absolute transparency and the necessary level of confidence."

President Bush was yesterday seeking Congressional support for his proposals on chemical weapons, which have received a generally favourable reception.

However, some critics have argued that much of the proposed reduction would have bad to occur anyway since existing legislation requires the elimination of at least 90 per cent of the older US chemical weapons by 1997 – although not the more modern binary ones which are lethal only when two chemicals are mixed together.

IMF urges banks to boost lending

By Peter Norman and Stephen Fidler in Washington

COMMERCIAL banks should step up their lending to developing country debtors, but an increase in official lending should not be expected, Mr Michel Camdessus, managing director of the International Monetary Fund, said yesterday.

He told the opening session of the annual meeting of the IMF and World Bank: "Official creditors have maintained a high level of net lending to developing countries since the outbreak of the debt crisis. It is now vital to establish the necessary conditions to bring about a more appropriate contribution from the private sector."

In recent years, net new private lending had been far less than the outflow of funds from debtor nations in interest payments. Banks must speed up their negotiations on financing with debtor countries, Mr Camdessus said, since "prolonged delays could derail economic reform programmes and postpone essential policy changes."

Developing countries were criticised by Mr Barber Conable, president of the World Bank, for spending more on military budgets than on health and edncation combined.

In his address, Mr Conable said that as a group low-income conntrles allocated around 20 per cent of central government budgets to defence. The $200bn which the developing world spends on the military is, Mr Conable argued, a prima source of external debt, accounting for a third or more of total debt service in several large developing countries.

Developing countries should place their military spending decisions on the same footing as other fiscal decisions and explore ways of bringing them into better balance with development priorities, Mr Conable said. They should build functioning school systems rather than "white elephant projects in industry."

In separate developments at the IMF-World Bank meetings yesterday, it emerged that Argentina would sign soon a letter of intent with the IMF, placing the Fund's seal of approval on the economic programme of the new Administration of President Carlos Menem. IMF officials said agreement appeared close.

Bankers said that a standby $1.2bn loan for Mexico, essential to the success of the country's debt agreement, was close to being agreed.

IMF meeting reports, Page 5

Central banks intervene to push dollar lower

By Patrick Harverson

THE CENTRAL banks of the Group of Seven leading industrialised nations intervened beavily in the international foreign exchange markets for the second day running yesterday in a concerted attempt to push the dollar lower.

Further intervention is expected today, although dealers were questioning how long the central banks would be able to keep up the pressure on the dollar.

The scale of the intervention caught the markets hy surprise

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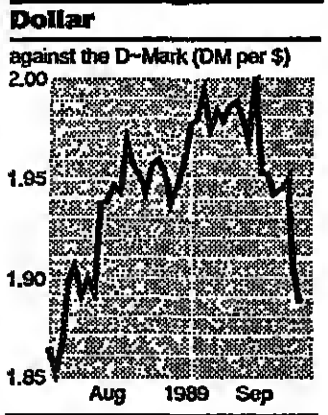
Currencies Section II

Dollar



Arthur Andersen and Price Waterhouse call off talks

By David Waller in London

ARTHUR ANDERSEN and Price Waterhouse, the international accountancy and consultancy firms, yesterday abandoned marger talks. An agreement would have created the world's largest professional services organisation with fees of more than $5bn.

The two firms restricted themselves to a brief statement saying that differences had arisen during the talks, which had lasted nearly three months, that could not be resolved within a realistic length of time.

The firms indicated that there were a host of intractable problems standing in the way of a deal, ranging from the different way in which they provided for pensions to the way they rewarded their partners.

The two main stumhling blocks are believed to have been their different organisational structures, and potential conflicts of interest arising because of Arthur Andersen's role as a consultant to some of Price Waterhouse's large, highly-valued audit clients such as International Bnsiness Machines.

Andersen, whicb is by far the most globalised of the international accounting firms, operates a single partnership and a centralised management structure for its two divisions: consultancy and audit services. This proved to be irreconcilable with PW's approach which gives a greater degree of independence to its firms in different countries.

Andersen is the world's largest firm of management consultants, with revennes up by a third to $1.12bn last year. Its speciality is providing information technology services, in which capacity it buys equipment from, and frequently collaborates with, IBM and other large compnter companies audited by PW.

Legal advice taken by the two indicated that some form of restructuring would have been necessary to preserve the combined firms' independence as auditor to these companies. Either PW would have had to have dropped the andit client or Andersen cut its consulting links – courses of action which neither was prepared to follow.

When the merger talks were announced at the beginning of July other leading firms identified these and many other difficulties in bringing the two together. They said that if those prohlems could be overcome, the grouping would be a formidable force in world markets as much in quality of service as sheer size.

Competitors greeted the announcement with a mixture of relief and hewilderment. They were glad that the competitive threat of such a link had been removed hnt wondered why, given the scale of the prohlems visible from the

Continued on Page 22

MARKETS

STERLING
New York lunchtime: $1.6225
London: $1.622 (1.6085); DM3.0625 (3.065); FFr10.385 (10.3775); SFr2.66 (2.665); Y230.25 (229.5); £ index 92.1 (91.9)

GOLD
New York: Comex Dec $373.9 (374.8)
London: $367.75 (367)

N SEA OIL (Argus)
Brent 15-day Oct $17.45 (17.475)

Chief price changes yesterday: Page 23

DOLLAR
New York lunchtime: DM1.88955; FFr6.4025; SFr1.64; Y141.95
London: DM1.8885 (1.9055); FFr6.4025 (6.4525); SFr1.64 (1.6565); Y141.9 (142.65); $ index 70.1 (70.4)
Tokyo close: Y142.8

US LUNCHTIME RATES
Fed Funds 9⅛%
3-mo Treasury Bills: yield: 8.04%
Long Bond: 98⅞; yield: 8.27%

STOCK INDICES
FT-SE 100: 2,336.1 (−23.5)
FT Ordinary: 1,913.5 (−23.8)
FT-A All Share: 1,183.44 (−0.9%)
FT-A long gilt yield index high coupon: 9.65 (9.55)
New York lunchtime: DJ Ind. Av. 2,679.71 (+20.52)
Tokyo: Nikkei 35,444.82 (+484.11)

LONDON MONEY
3-month interbank: closing 14⅞% (15⅛-15)

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Barre lashes out from fast-shrinking power base

Somalian Presidant Siad Barre has consolidated his dynastic power base in the hands of his son, half-brother Mr Abdiraham Jama Barre, the Foraign Minister (left) and son-in-law. But hie powar is unravelling after 20 years' rula. Page 4

EUROPEAN NEWS

Gorbachev attacks co-operatives

By Paul Winfrey in Moscow and John Lloyd in London

GROWING controversy over the Soviet Union's rapidly expanding private sector was intensified yesterday when President Mikhail Gorbachev, in a surprise intervention in a stormy parliamentary debate, weighed in on the side of deputies roundly criticising the movement.

His remarks point to a loss of faith by the Soviet leadership in the private sector – strongly backed last year in a number of speeches and in the press – as a competitive spur for the country's state sector.

Uproar broke out in the Supreme Soviet, the country's new standing Parliament, as Mr Leonid Abalkin, a Deputy Prime Minister, introduced a bill transferring to local authorities extra regulatory powers over private co-operatives.

Mr Abalkin, a reform-minded economist, praised the co-operative movement as the "first step towards the formation of a socialist market."

He disclosed that so far this year, co-operatives had produced some Rs 12.9bn worth of goods and services, nearly twice the total for last year.

"Co-operatives" – in effect private businesses – have been allowed since December 1986. But their high prices have made them extremely unpopular, and conservative bureaucrats have often seized on this mood of resentment to restrict their activities through red tape.

Soviet citizens, accustomed to very low prices in many of the areas in which co-operatives operate, have, however, often paid to get the goods without having to queue, although with frequent and outspoken annoyance.

Last December, the co-ops were subjected to varying degrees of restriction in medical, publishing, educational and video sectors.

In January, the Politburo approved price controls over a range of co-operative goods.

In February, governments in the republics were given a free hand to impose what tax rates they wished on co-operatives – resulting in a general raising of the maximum 10 per cent tax rates to which the businesses had been subject since 1986.

In yesterday's debate, deputy after deputy called on the government to do more to regulate prices in the private sector and to weed out criminal elements using private concerns as a front for their activities.

At one point, Mr Gorbachev interrupted Mr Abalkin, giving a folksy example of his own of how co-operatives supposedly "speculate" on consumer shortages.

The Soviet leader said a worker had recently complained to him about seeing soap for sale at a co-operative for 40 kopecks – eight times the state price.

"How is that possible?" Mr Gorbachev asked, implying that the concern in question was stealing from state stocks and selling the goods at inflated prices.

"You have to take public opinion into account," the Soviet leader added.

Italy refuses to accept EC steel restructuring

By Lucy Kellaway and Tim Dickson in Brussels

THE ROW over the closure of the Italian steel plant at Bagnoli, near Naples, intensified yesterday when the Rome government refused to accept the European Commission's latest restructuring proposals.

All 11 other member-states voted in favour of a firm March deadline for shutting down the plant and told Italy to reconsider its stance.

No specific time-limit for a response was set, but Sir Leon Brittan, the EC's competition Commissioner, said last night that he expected a reply "in a matter of weeks". It would be contrary to the expression of opinion within the EC Industry Council "to delay any further".

The issue of the Bagnoli plant – closure of which was originally agreed in December 1988, in return for a £2.3bn Italian government debt write-off for the parent company Finsider – is seen as a bargaining point in the current negotiations within the US on a new system of voluntary steel import quotas.

Failure to reach a unanimous decision on Bagnoli yesterday means that Italy is in breach of an earlier Council commitment to close the plant. Rome originally accepted its terms but changed its mind because of the strength of the steel market.

Yesterday it asked the Commission to link the closure of the plant to the strength of the steel market – a proposal which was rejected by the other 11.

Hopes have risen that the US will soon offer some "realistic" concessions on the shape of the new "voluntary" quotas or Voluntary Restraint Agreements (VRAs). These are designed to run for 2½ years from the end of this week, when the current five-year programme with 29 exporting countries ends.

The VRA talks have proved complex and politically charged, partly because the US is trying to reach parallel accords with each country or bloc on trade distortions and market access (the so-called "consensus agreements"), and partly because Japan and the EC have been asked to accept lower export quantities, so Mexico and Brazil can be given more.

The EC side greeted the US's first offer with barely-hidden fury. Terms involved 15-20 per cent cuts in amounts to be shipped, depending on which of the 34 product categories was chosen. "What they had in mind on the consensus agreement was far from compatible with Gatt principles," one EC official said. Chances of an upward quantity revision is thought slim just now, though EC officials will look for hints that the US will be flexible later.

Brussels estimates combined first offers to all VRA countries totalled 15 per cent of US consumption, against 18.4 under the "old" agreements, with scope for last-minute compromise. Overall, the US has indicated it seeks a "same again" 18.4 per cent global figure, with a possible extra 1 per cent tied to consensus pact conditions.

More immediately, the EC expects to be offered an improvement in terms covering flexibility between products – the current arrangements allow for transfers of up to 5 per cent – and more generous rules for carrying quotas into the next year, and "advance use" of the next year's quantities.

Slovenia asserts its autonomy

By Aleksander Lebl in Belgrade

DOES A nation exercise its right to "self-determination" once and once only, or is it a permanent right? Does a federal state have any inalienable rights? May a language other than that of its people be imposed on a federal state?

These seemingly theoretical questions of political science are at the heart of a bitter and potentially explosive dispute between the Yugoslav republic of Slovenia and the country's federal institutions.

The Slovenian Parliament – backed by the vast majority of the northern republic's citizens – is expected today to approve a controversial set of amendments to the territory's constitution, all intended to strengthen local autonomy.

One of the changes would assert the republic's right to secede from Yugoslavia by means of a referendum, although Slovenian leaders strongly deny wanting to exercise this prerogative.

The federal authorities have repeatedly told Slovenia that its proposals contravene the national constitution, an argument that the rebel republic, backed by some constitutional lawyers, strongly rejects.

Yugoslavia's federal Communist Party leaders went into emergency session in Belgrade to discuss the crisis, which is the biggest threat to the country's unity posed by a single republic since the Communist takeover in 1945.

Slovenian representatives boycotted a meeting on Tuesday of the federal parliamentary committee for constitutional affairs which convened to discuss the crisis.

It is the most politically liberal and economically advanced of the six Yugoslav republics.

E Germany makes offer to fugitives in Prague

By David Marsh in Bonn

HOPES OF a breakthrough over the more than 1,000 East German fugitives quartered in the West German embassy in Prague rose yesterday after they were guaranteed emigration by Mr Wolfgang Vogel, the official East German emissary.

However, it remained unclear last night how many of the refugees in the embassy would take up Mr Vogel's offer that they return to East Germany and then await departure to the Federal Republic.

Adding to the confusion over the fate of the fugitives from Communism, signs have multiplied of a hardening of fronts between the regime of Mr Erich Honecker, the East German leader, and the fledgling opposition movement.

On Monday night, between 5,000 and 8,000 campaigners for democratic rights marched through the Leipzig city centre after the traditional weekly "prayer for peace" meeting. Although the East German police were said to have practised relative reserve in countering the march, a sizeable number of people were detained.

In the latest media barrage against the East German civil rights movement, a commentary in the East Berlin newspaper Berliner-Zeitung yesterday accused the incipient Neues Forum reform group of functioning as a "fifth column" to undermine order.

Many of the protesters in Leipzig on Monday called for Neues Reform to be legalised. The group, which was declared "an enemy of the state" by the Interior Ministry last week, said yesterday it would maintain its work as a civil rights movement.

Expectations of an end to the embassy refugees saga rose during the day as Mr Vogel, an East Berlin lawyer who is a confidant of Mr Erich Honecker, started negotiations in Prague to achieve their release.

Mr Vogel is also expected to travel to Warsaw, where several hundred East Germans wishing to depart for the West are taking refuge at Bonn's embassy there and in a former Catholic seminary.

Delicate contacts between Bonn and several East European governments are taking place against the background of continued flows of East Germans quitting their country via Hungary's open western border. A further 950 East Germans crossed from Hungary to Austria from Monday up to Tuesday morning, taking to 21,400 the numbers who have fled in this way since September 11.

Battle for French TV channel moves to court

By William Dawkins in Paris

AN acrimonious battle between some of Europe's most colourful media figures for control of La Cinq, the loss-making French private television channel, could today be decided in a Parisian court.

A commercial tribunal in the French capital is due to rule today on the legality of a share sale agreement which would remove control of the popular La Cinq from Mr Robert Hersant, president of the channel and owner of the right-wing Figaro newspaper.

He is being challenged by a shareholder camp led by Mr Silvio Berlusconi, the Italian television baron, who objects to Mr Hersant's allegedly autocratic management style and to the FFr1.8bn ($28m) La Cinq has lost since it started broadcasting in early 1987.

After a slow start, La Cinq has won a 15 per cent share of French audience thanks to a distinctive mixture of US thrillers and hard news, but has had to pay heavy fines for breaking government limits on advertising and non-European programmes.

The row is being seen as the most spectacular example yet of the scope for shareholder fights created by a 1986 law limiting individual shareholdings in private television channels to 25 per cent, so making absolute control impossible.

Mr Hersant owns the maximum 25 per cent of the capital, in which he has the support of Mr Jean-Marc Vernes, leading French banker, and owner of another 10.8 per cent of La Cinq.

Rallied against him, Mr Berlusconi has 25 per cent, plus the support of Mr Jerome Seydoux, owner of another 6.9 per cent and chairman of Chargeurs, the transport group.

The row is about a pivotal 16.8 per cent held by Mutuelles Agricoles, an insurance group, which wants to pull out of La Cinq. The Berlusconi camp promised to relieve Mutuelles Agricole of its shares in return for its support against Mr Hersant at the next board meeting.

Mr Hersant promptly cancelled the board meeting and launched today's court case, claiming that the Berlusconi camp had mada an an improper agreement, concealed from La Cinq's directors.

Les Echos, tha financial newspaper owned by Pearson, the British group to which the Financial Times belongs, also wants to sell its 3.67 per cent stake.

This is the latest in a series of colourful battles in France's highly political television industry. It comes in the wake of a controversy over the choice by Mr Philippe Guilhaume, President of the country's two public television channels, of two director generals accused by opposition parties of being selected more for their Socialist credentials then their broadcasting skills.

Arctic environment research

REPRESENTATIVES of eight Arctic states agreed on Tuesday to set up a research programme into threats to the region's fragile environment.

The six-day meeting was called by Finland to discuss ways to protect the Arctic, which scientists say is threatened by economic activity in the region and airborne and seaborne pollution from further south.

The aim is to hold a ministerial conference on the issue but none was fixed.

Instead, the eight states – Finland, Sweden, Denmark, Iceland, Norway, Canada, the Soviet Union and the US – agreed to examine the effects of pollution and report to a second meeting by April 1990.

Mazowiecki address

Poland's new non-Communist Prime Minister Tadeusz Mazowiecki, who took office a month ago, will address the 23-nation Council of Europe in January, the Council's president said on Tuesday.

"It's possibly going to be his first trip abroad as Prime Minister."

The Council groups states committed to the principles of democracy and human rights.

It has admitted reformist East bloc states in the past year, granting guest member status to Poland, Hungary, Yugoslavia and the Soviet Union.

Soviet leader Mikhail Gorbachev addressed the Council's parliamentary assembly last July on its 40th anniversary.

French papers say Semtex used in DC-10 bombing

TWO French newspapers reported on Tuesday that the Czechoslovak-made explosive Semtex was used in the bombing last week of a French DC-10 airliner, but police would not comment on the claim, Reuter reports from Paris.

The dailies Libération and Le Parisien Libere said traces of Semtex had been discovered after the crash, which killed all 170 people aboard.

But French police said intensive analysis of the wreckage began only yesterday morning.

If confirmed, tha reports would strengthen links between the DC-10 bombing and an explosion last December on a Pan Am Jumbo Jet over Lockerbie, Scotland, in which 270 people were killed.

Investigators have confirmed the UTA (Union des Transports Aeriens) aircraft was blown out of the sky over Africa by a bomb placed in the hold.

They are now seeking to discover if, as in the Lockerbie bombing, an altitude-detonated device was used to set the bomb off as the jet flew over Niger last Tuesday.

Liberation said the charge might have been loaded on the plane at Brazzaville, where the flight originated. The plane exploded as it reached cruising altitude after taking off from the Chadian capital N'Djamena, scattering wreckage over a large area of desert.

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EUROPEAN NEWS

French star suffers a political eclipse

By Ian Davidson in Paris

FRANCOIS LEOTARD has long been one of tha rising young stars of conservative politics in France. He took over the leadership of the Republican Party in 1982, when he was only 40, and his youth, his ambitions and his good looks seemed to promise a career which might lead one day to the presidency.

This week, however, he has taken a nasty fall, and his critics are saying that his future may be seriously compromised.

This week's setback made front-page headlines in all the papers; the consensus among the pundits was that he had suffered a serious blow.

"The fall of the House of Leotard," said Le Figaro; "Leo through the trap-door," headlined the Quotidien. This may be premature; but the event was instructive.

Mr Leotard's Republicans are loosely linked to the other non-Gaullist parties on the centre-right in an umbrella grouping called the Union pour la Democratie Française (UDF). The UDF's leader is former President Valéry Giscard d'Estaing; but its leader in the National Assembly, is Mr Jean-Claude Gaudin.

Or rather, it *was* Jean-Claude Gaudin until Sunday, when he was elected to the Senate. So on Monday the parliamentary group went into a huddle to elect his successor. Mr Leotard stood in a three-cornered race, and lost.

The first lesson from the vote, was that "Leo" no longer commands the loyalty of his own party. The Republican Party has 55 members in Parliament; but in the first inconclusive ballot on Monday, Mr Leotard received only 35 votes. Moreover, the winner, Mr Charles Millon, is himself a member of the Republicans.

The second lesson is that

Leotard: nasty fall

this vote was one more battle in the continuing struggle for control of the conservative forces in France, which is pitting the UDF against the Gaullists, the Gaullists against the Centrists, and the young (like Mr Leotard) against the old (like Mr Giscard d'Estaing).

On this occasion Mr Leotard was effectively knifed, at one remove, by Mr Giscard; the former President, with exquisite tactical skill, succeeded *in* mustering the necessary votes behind Mr Leotard's challenger. But the campaign remains inconclusive, and if Mr Leotard has been wounded, Mr Giscard has yet to win a real victory.

The dilemma, for the conservatives, is that their forces are divided between too many rival parties, and this dilemma is most acute within the UDF.

Every leader is pursuing a different tactical game. Mr Leotard believes his road to victory lies through control of the UDF: hence his need to secure the parliamentary leadership, as a stepping stone to enable him to challenge Mr Giscard for the national leadership of the movement.

But Mr Giscard sees *his* road to victory through a close union between tha UDF and the Gaullist RPR party: hence his need to stifle the Leotard challenge.

However, the third lesson is that Mr Leotard may not have what it takes to be an effective political leader, and that his ambitious manoeuverings may have earned him too much of a reputation for inconstancy or even betrayal.

In last year's presidential elections, he paid lip-service to the candidacy of Mr Raymond Barre; but his lack of commitment was transparent.

This spring he stood in the European Parliament elections on the official UDF-Gaullist list headed by Mr Giscard d'Estaing; but when the latter did unexpectedly well, Mr Leotard made a violent public denunciation of tha ambitions of Mr Giscard and tha Gaullist leader, Mr Jacques Chirac.

Mr Giscard has now had sweet revenge. Some commentators speculate, with surprise, that perhaps the former President really does believe he has a chance for another term in the Elysée Palace. If so, his belief is not widely shared.

On the other hand, this week's events showed that he is a formidable opponent, and he may for some time be able to spoil the game for any other conservative candidate.

Bonn rail-link plan turns country folk Green with outrage

Government faces protest over high-speed track set to go through country's oldest natural park, writes David Marsh

MR OTTMAR ADAMS, a West German government official, is conducting a vanload of journalists on an unorthodox public relations exercise across the idyllic Rhineside landscape, over the river a few miles east of Bonn. "The rail tunnel would come out over there, by the cows," he says, with ill-humour. "You see that hill – the one with the sign saying 'Nein' on it. It would disappear."

Mr Adams is one of thousands of dwellers in the undulating Bonn catchment area of the Siebengebirge (the "seven mountains") who are now ploughing along the ecological campaign trail. They are protesting against the West German Government's plan to driva a planned high-speed train track through the country's oldest natural park, designated a protected area in 1836.

The hillside region, a place of meandering lanes and corn and cabbage fields, is home for a haterogenous mixture of earthy Rhineland farming folk and functionaries attracted by Bonn's growth as the federal capital.

They are conservatives, rather than archetypal Green voters – but now they are up in arms. According to Prof Lothar Hoennighausen, a Bonn university professor who lives in the area, a big protest vote for fringe parties of right and left is likely at the municipal elections there on Sunday.

"The farmers ask me if they can vote for the Greens," he says. "The established parties won't like this."

Tha hinterland behind the Victorian watering hole of Königswinter is closely associated in German lore with the romantic figure of Siegfried the dragon-slayer. The English poet Byron who helped made Königswinter famous wrote early in the last century of "the hills all rich with blossomed trees, and fields which promise corn and wine".

The blossoms now threaten to fade. The enemy is no legendary monster but a spur line from the planned new Cologne-Frankfurt railway track, proposed to be built by 1998 as a central element of a European high-speed rail network.

Testifying to the spirit of battle, the territory bristles with angry red-lettered placards entreating "Save the Siebengebirge". More than 20,000 names have been collected in a petition against Bonn's decision in July to run the track through the natural park.

"We are doing this out of love for our home," says Mr Hans Remig, the diminutive director of an animal fodder test station who chairs a citizens' action group from the village of Vinxel. "If in 40 or 50 years time people say this was a mistake, it will be too late to repair it."

Though much of the line would be underground, tha critics say the earthworks and tree-felling would ruin the area for local people, tourists and animal life alike. They also claim it would pollute the water supply and risk undermining thousands of houses.

Pointing to the area's treacherous geology, Mr Adams says his house could be "split into two" by earth movements. He highlights the inconsistencies in the Government's policies on the environment.

West Germany takes ecology so seriously that people in the Siebengebirge who cut down trees in their garden without permission risk a visit from the police. Siebengebirge toads are entitled to special nature trails.

"The Government declares the tropical forests in Brazil must be protected; but we can't look after the trees a few kilometres away from Bonn," says Mr Adams. "It is not credible."

Prof Juergen Salzwedel, an environmental specialist from Bonn University, declares that the effects of government high-handedness spread well beyond the rural confines of ths Siebsngebirge. Bonn is ignoring European Commission guidelines laying down that all large building projects should be subject to a test of environmental feasibility, he says.

Speaking to a farmland protest meeting of local people drinking coffee and cognac, Prof Salzwedel condemns the "ice-cold tactics" of Bonn's attempt to rush through the decision during the summer parliamentary break. He says the main driving force behind the spur line plan is "prestige".

The issue is controversial enough that the Bonn cabinet is likely to re-examine it later in the autumn. Mr Klaus Toepfer, the Environment Minister, is already beliaved to disapprove of the project rail-roaded through at the behest of Mr Friedrich Zimmermann, the pointedly non-ecological Transport Minister. The Siebengebirge protesters are hoping for a formal re-routing – although they point out that a lot of citizens groups elsewhere have also said they do not want the rail track.

Over the wider implications of citizens rights, Mr Horst Harald Lewandowski, an elderly official from the Interior Ministry, who lives in Koenigswinter, sees the historical parallels.

He remarks wryly thet, in the 1930s, the local nature protection association protested when one of Germany's first Autobahn highways was built through the Siebengebirge under the Third Reich. Environmental critics got short shrift under the Nazis, he explains, gesturing gruesomely with his hands to indicate decapitation. "Now we can carry out the experiment whether democracy is real – or whether the old mentalities are ruling still."

European Diary

West Germany

MR RAINER GOHLKE, chairman of the Bundesbahn, the West German federal railways, yesterday voiced concern about delays holding up planning on the Frankfurt-Cologne high-speed train track.

Calling this the "heart" of the European high-speed train system, he urged an urgent decision on the Frankfurt-Cologne route, without which West Germany risked falling behind the rest of Europe.

Speaking in Munich at a ceremony marking the handing over to the Bundesbahn of the first completed locomotive for the 280kph (175 mph) train, Mr Gohlke said the maiden journey of the high-speed train would take place in June 1991.

Mr Gohlke also held out the prospect of a further DM1bn (£325m) worth of orders for further equipment for the West German high-speed network by 1995. This would be in addition to a first DM2bn batch of orders granted to the rail equipment industry. An initial 41 pairs of locomotives are being manufactured by a consortium including AEG, Asea Brown Boveri, *Krauss-Maffei, Krupp, Siemens* and Thyssen.

Mr Friedrich Zimmermann, the Transport Minister, who was also present at the ceremony, said that total investment associated with the high-speed network was likely to reach DM50bn up to 1995. This would assure the "future" of the railways, he said.

The Transport Ministry yesterday confirmed that the cabinet would make a final decision in late autumn on the detailed route of the Frankfurt-Cologne track on the right bank of the Rhine.

Electoral jousting over the issue increased yesterday with the publication of a critical letter to Mr Zimmermann *from Mr Horst Ehmke, a leading Social* Democrat deputy. Mr Ehmke said the cabinet proposal to build a spur line from Bonn through the Siebengebirge showed "an incredible lack of respect for citizens' and environmental interests". He added that the Government's behaviour risked increasing the electorate's general disillusionment with politics.

Disputed link

Wide use of reprocessed fuel likely in N-plants

By David Fishlock, Science Editor

AT LEAST 40 commercial nuclear plants are planning to burn the plutonium by-product recovered from spent nuclear fuels, according to a study by the OECD's Nuclear Energy Agency.

The study says that plutonium, although a hazardous material, poses no greater threat than many others used industrially, and more than 30 years' experience has shown it can be managed safely and used as a fuel.

In Europe, Belgium, France and West Germany have made and tested plutonium fuels, and Britain hopes to enter this nuclear market with the help of West German technology.

Current reprocessing operations will lead to stockpiles totalling well over 1,000 tonnes by the end of the century.

The study found that when plutonium had already been separated by reprocessing spent fuel, it could offer savings of 30 per cent or more compared with new uranium fuel.

But it acknowledges that where the plutonium has not been separated, and there is no commitment to reprocess spent fuel, the economic case is less certain.

This is because public opinion may oblige each country to make its own provisions for storing spent fuel and nuclear wastes, leading to dis-economies in small-scale operations with mixed-oxide fuels (MOX).

The latter are mixtures of plutonium and uranium oxides, containing about 5 per cent of plutonium, which reduces the need for enriched uranium.

The study reports the findings of a European Community investigation involving eight nuclear operators which showed that replacing up to 20-30 per cent of the normal uranium fuel with MOX fuel caused no special problems, and in principle up to 100 per cent MOX fuel was possible.

Some OECD countries, notably the US and Canada, have no plans to use MOX fuel. But France expects to use it in 16 light water reactors, Japan in 10-12 reactors, West Germany in 10, Switzerland in three, and Belgium in one.

By re-using the plutonium quickly after reprocessing, storage costs are minimised, as well as losses of fissile material through radioactive decay and its gradual contamination with the decay product americium.

Plutonium fuel: an assessment. Published by the OECD, 2 rue Andre-Pascal, 75775 Paris Cedex 16, France. FFr150.

Unemployment down in France

By Ian Davidson

FRENCH unemployment crept downward last month, resuming its slow and erratic decline since the turn of the year.

In August, the unemployment rate fell in seasonally adjusted terms to 9.5 per cent compared with 9.6 per cent in July.

The seasonally adjusted unemployment figure was just over 2.53m, compared with 2.58m one year earlier.

China's leaders give public defence of clampdown

By Peter Ellingsen in Peking and Colina MacDougall in London

ALL SIX members of China's ruling Politburo standing committee appeared in Peking yesterday at their first press conference since the June suppression of student protests, to demonstrate unity and a degree of moderation, while reaffirming their hard line towards the democracy activists.

The briefing appears to have been timed to provide reassurance worldwide and at home that the leadership is fully in control before China's celebrations next weekend of the 40th anniversary of the communist regime.

Clad in business suits instead of the Mao jackets they have more often worn since the crackdown, and led by newly-installed party general secretary, Jiang Zemin, the six members of the committee answered questions for two hours.

They adhered closely to the line given by paramount leader, Deng Xiaoping, that the democracy protests constituted a "counter-revolutionary rebellion" and that they had to be put down to prevent a clique of dissidents toppling the Government.

Jiang denied the crackdown was a tragedy and voiced no regret for the deaths of unarmed civilians.

Jiang also noted that despite top-level unity it was too soon for China's paramount leader, 85-year-old Deng Xiaoping, to step down.

On this question "much is at stake", he said. Jiang's disgraced predecessor, Zhao Ziyang, was poised to take over Deng's key post as chairman of the Military Commission, and there has been speculation that intense rivalry has prevented Deng filling this crucial post.

Though notable for the seniority of the leaders taking part, the briefing was revealing for what it did not provide.

None of the top leaders was willing to venture substantial new information.

Jiang admitted the party was planning to hold a fifth plenum meeting, at which the fate of deposed party chief, Zhao Ziyang, will probably be decided, but declined to give a date. Though he said the party was continuing to probe Zhao's errors, he indicated the former leader would not be harmed.

Vague answers were given to questions concerning the punishment likely for student leaders, and the precise extent of the purge now being carried out against dissidents.

Jiang insisted that the Government was only acting against "criminals", and that students and others who took part in the two-month-long democracy campaign would not be punished but "re-educated." He said China's open door policy and economic modernisation would continue and that the party would correct its "mistakes" by attacking corruption, weeding out wayward party members, and communicating more effectively with the people.

Vice-Premier Yao Yilin, in charge of the economy, said that the Government would push ahead with economic reform, aiming for "a steady, even faster rate (of growth)", the elimination of corruption and a continuing, though far from dominant role, for private enterprise.

Central government had to provide the "right guidance" to avoid non-state enterprises having a negative effect.

The seniority in the standing committee was shown by the order in which the six men took their seats on the platform. First was party chief Jiang Zemin, followed by Premier Li Peng, then Qiao Shi, China's security boss, Vice-Premier Yao Yilin, Song Ping of the party's organisation department and Li Ruihuan, Mayor of Tianjin.

Chinese party general secretary, Jiang Zemin, left, and Premier Li Peng in Peking yesterday

Britain to seek reassurances as Hong Kong talks resume

By Robert Mauthner, Diplomatic Correspondent

BRITAIN will make a strong appeal to China to take steps to restore the confidence of the people of Hong Kong when the joint Anglo-Chinese group on the colony's Basic Law, after it is handed over to China in 1997, meets in London today.

This is the first meeting of the so-called Joint Liaison Group since March, after which Britain temporarily suspended the regular discussions on Hong Kong's future constitution in protest against the suppression of the pro-democracy demonstrations.

British officials, led by Mr Robin McLaren, an Assistant Under-Secretary at the Foreign Office, are expecting a tough exchange of views during the three-day meeting. Though the UK recognizes that the only way to ensure Hong Kong's future is to resume a constructive dialogue with Peking, it is under no illusions.

Far from accepting that the events of Tiananmen Square have undermined the confidence of the people of Hong Kong in the behaviour of their future rulers, China has accused Britain of using Hong Kong as a base of subversion against the Chinese mainland.

The demands expected to be made by the British delegation are related to the articles of the Basic Law which deal with the stationing of Chinese troops in Hong Kong, the right of Peking to proclaim martial law under certain circumstances and the procedures for interpreting the Basic Law.

It is hoped that China will make a gesture to appease Hong Kong over the troops issue, though everyone realises that the People's Army will be very near at hand, even if not stationed in Hong Kong.

Only a short time remains during which the Basic Law can be amended. The consultation period foreseen by the Chinese officially ends in October, and the final draft of the law is due to be adopted in March or April next year. In the meantime, a further meeting of the Join Liaison Group has been schedule before the end of the year in Hong Kong.

Japan lifts travel curbs as China seeks closer ties

By Robert Thomson in Tokyo

JAPAN yesterday removed an advisory against travel to Peking, following overtures by the Chinese Government that suggest a basic shift of emphasis in Peking's foreign policy towards cultivating much closer relations with Japan.

The advisory's removal, which will encourage the return of Japanese tourists to China, comes after a visit last week to Peking by senior Japanese parliamentarians who were urged by Chinese leaders to broaden bilateral ties and fill the gap created by the decline in relations with most Western countries.

Meanwhile, Japanese executives have been surprised by invitations from the Bank of China to a reception early next month at the plush Palace Hotel in Tokyo. The gathering is an apparent attempt to prove that China is still open for business.

The Chinese Government has traditionally shown reluctance to be overly reliant on Japan for friendship or for funds, and West European officials in Peking had routinely been told China does not necessarily trust the Japanese, who have not been forgiven for their wartime brutality and are considered to be sometimes difficult in joint ventures.

The present Chinese leadership has appreciated Japan's muted criticism of the Tiananmen incident, and the Japanese politicians last week provided an opportunity for the leadership to show ordinary Chinese that it has foreign acceptance.

Li Peng, the Chinese premier, suggested to the delegation that "Japan can play a big role in shattering the Western camp's blockade against China". Japanese officials say that Li admitted a lesson has been "learned" from the tragedy, but then said the pro-democracy movement should have been crushed earlier.

Japan has provided about 30 per cent of China's foreign borrowing, and is certain to proceed with a $5.5bn (£3.4bn) soft loan package that was to begin next April but had been frozen.

Chinese institutions have also begun tentative approaches for new borrowing and bond issues in Tokyo, although the Japan Bond Research Institute has recently downgraded China from "little risk" to "some risk".

The approaches have been made with the approval of the Bank of China, which oversees foreign currency use and is keen to begin borrowing to bolster foreign exchange reserves, reckoned by Japanese institutions to have fallen from around $18bn in June to some $10bn in recent weeks.

Tattered flag carrier returns to frontline

Lara Marlowe reports on the spirit for survival of Lebanon's national airline

WHEN Beirut's shell-damaged international airport opened on Sunday for the first time in more than six months, one group of people breathed an especially vigorous sigh of relief: the managers and employees of Middle East Airlines, Lebanon's national flag carrier.

The arrival of the first MEA passenger flight in 197 days, carrying eight passengers from Jeddah, was such a significant portent of peace that Mr Lakhdar Ibrahimi, the Arab League's special envoy to Lebanon, was on hand to welcome the aircraft. In west Beirut, gunmen greeted the incoming flight by firing automatic rifles in the air.

The misfortunes that have befallen MEA, which is the largest employer in Lebanon after the Government, in 14 years of civil war would test the endurance of Job – and at no time more than during the months of ferocious artillery bombardments that ended last weekend.

When the civil war started in 1975, the airline possessed 24 jets. Only 15 have survived. Beirut airport has been closed down oo numerous occasions, and its runways and terminal have been repeatedly bombed and looted. Dozens of MEA's 5,000 staff have been killed. More than 100 Christian employees have been kidnapped and held for varying periods. Two who disappeared in the early 1980s are still missing. In the mid-1980s, Beirut airport gained additional notoriety as a favourite destination for hijackers, and President Reagan barred MEA from flying to the US.

Yet all these disasters have been overshadowed by this year's. The airline was just beginning to break even – and was even shopping for new aircraft – when shelling broke out between Christian Lebanese army units under General Michel Aoun and Syrian troops encamped around the airport. The subsequent shutdown of 195 days broke all previous records and cost MEA an estimated $14m (£9m).

The experience of war has at least taught MEA to move quickly. When the shelling started in March the airline immediately evacuated a dozen planes to Cyprus and Paris and moved equipment to underground shelters.

During earlier airport closures, MEA became proficieot at chartering and "wet leasing" its planes complete with crews. MEA's most important asset, three Boeing-747s valued at $135m, have been out of the country since the civil war started, and have been leased to British Airways and Air France. MEA crews fly routes for Air France, which owns a 30 per cent stake in the Lebanese airline, and it rents hangars at Orly airport to maintain its own aircraft, with 162 staff staying permanently in the Orly Hilton.

The airline has also turned its technical expertise to good effect. It has been a leader in aircraft maintenance since it inherited the Mideast Aircraft Service Company (Masco) from BOAC in the 1950s. Masco has been certified by 14 foreign aviation authorities – including the American Federal Aviation Administration, the British Civil Aviation Authority and the French Veritas – to maintain other airlines' planes. In its pre-civil war heyday, Masco serviced 70 airlines, mostly from Europe and the US.

Mr Khaled Musfi, MEA's executive vice-president for engineering and maintenance, believes diversification is the key to the future. "Civil aviation has changed tremendously because of deregulation. We will have to wake up to the new market. The millions of Lebanese who have left will do a considerable amount of commuting from the homes and businesses they have established abroad, but we are no longer the hub of the Middle East. The Lebanese cannot replace the business and tourist traffic we had before the war."

In addition to leasing and hotel investment, Mr Musfi believes that MEA should capitalise on its maintenance expertise. He is negotiating with Cyprus to establish a subsidiary of MEA in Paphos.

MEA staff have repeatedly risked their lives to continue working. Their loyalty is attributed to the airline's labour relations. In the early 1970s, MEA became the first company in the region to offer shares to its employees at preferential rates. They now own 5 per cent of the airline, which has continued paying salaries even when unable to function normally due to airport closures.

MEA provides 100 per cent health coverage and generous retirement and maternity benefits, as well as a supermarket with cut-price groceries for its employees. All of Lebanon's sects are represented among MEA's staff. "The whole country is burning up with ideology," says Mr Richard Mujais, a Christian who is the MEA vice-president responsible for airline traffic, "but I have 800 people of all religions working under me. The airline is a microcosm of Lebanon. What Lebanon went through should have destroyed MEA. Yet we have not had one violent incident between staff."

If the present peace initiative succeeds, company accountants predict that MEA will be making profits again within a year. The airline has arranged six flights into and out of Beirut every day this week, and plans are being made for extra shuttles to Cyprus and Paris to cope with the expected rush of returnees.

MEA executives say they will have to acquire new jets because their Boeing-720s are being phased out. If the security situation does not improve, they may lease used planes, but they speak enviously of McDonnell Douglas MD80s, A320 airbuses, Boeing-757s or 767s. But for the airline, as for the rest of Lebanon, much will depend on the coming days of negotiation.

SA black union plans more protest

By Patti Waldmeir in Johannesburg

SOUTH AFRICA'S largest black trade union federation yesterday said it would stage mass protest marches in the main cities next month, while Pretoria showed signs it would take a tougher line against peaceful demonstrations.

The federation, the Congress of South African Trade Unions, said it would refuse to seek permission for the march, called to protest against the Labour Relations Amendment Act which curbs unions' right to strike. This raises the prospect of confrontation with Government which is insisting that permission be applied for in advance.

A commentary due to be broadcast today on South African radio, which normally reflects the views of Pretoria, says: "Protest marches have served their purpose by now. The point has been made, and taken. There are now more constructive contributions that those who sincerely believe in peaceful political evolution can make to the current debate on South Africa's future."

Government advisers stress that Pretoria remains committed to allowing peaceful protest, so long as law and order is not jeopardised.

Within the anti-apartheid movement there is debate about the wisdom of pursuing *further mass marches*, with one prominent union leader arguing that activists have done "too much marching and not enough strategising".

● Mr Enos Mabuza, chief minister of the South African homeland of KaNgwane, will meet Mrs Margaret Thatcher *at Downing Street tomorrow*, a spokesman for the British prime minister said yesterday, writes Michael Holman.

The meeting is seen as part of a series of talks Mrs Thatcher has been holding with South African politicians, inclnding Mr F.W. de Klerk, the president, and a delegation from the United Democratic Front, the anti-apartheid coalition aligned with the banned African National Congress.

Taiwan reconsiders plan to reform banking system

By Alison Maitland in Taipei

THE Taiwanese Government is having second thoughts about reforms which would open the antiquated state banking system to private competition.

The reforms were passed in July under Taiwan's revised banking law and include plans to allow private banks to set up in business. More than 20 groups have expressed interest in a banking licence, even though the capital requirement could be as high as T$10bn (£250m).

Now the Ministry of Finance may delay introduction of the new banks until the state's controlling stake in three leading commercial banks has been sold to the public.

The re-think follows pressure from bankers and academics, who argue that the state commercial banks – Chang Hwa, Hua Nan and First Commercial – have been so tied in red tape for so long that they could not survive competition.

There is another worry, too. Last year's opening of the stock market to new brokerage firms resulted in 150 successful applicants, adding to the huge share turnover and raising concern about overheating. "People in government and in the universities are saying that things are going too fast," said Mr See-Ming Chen, director of the Finance Ministry's monetary affairs department. It is feared that a host of new private banks could make Taiwan's speculative financial markets even harder to control.

"If one day the stock market crashes ... all the banking sector might be adversely affected," said Mr Kuo-Shu Liang, chairman of the state-run Bank of Communications, who has just moved from Chang Hwa Commercial Bank. As a result of these worries, he said, the new banks might at first be restricted simply to taking deposits and making loans.

Meanwhile, partial privatisation of state banks is being held up by political and legal considerations. The Government owns 55 and 75 per cent in each of the three banks. State bankers claim that it is unwilling to lose control over an important source of finance so close to elections on December 2.

The Government wants to float the banks in two stages, initially leaving 51 per cent in overall state control and later reducing the holding to below 49 per cent. It is the second stage that is taking time.

Afghanistan locust threat

A LOCUST plague in northern Afghanistan could result in as many as half-a-million new refugees this year, according to a report by the Swedish Committee for Afghanistan, Christina Lamb writes from Peshawar.

A team recently returned from the area, known as the "bread basket of Afghanistan", found that 10 provinces had suffered heavy crop losses and five of them were likely to experience severe famine.

In Badghis as much as 83 per cent of the crop has been destroyed and farmers may be able to feed themselves for only seven mooths of the year. Although the locusts have beeo coming for four years the problem's extent was only discovered when a Frencb aid worker passed through the remote area.

Previously those hit by famine would move east to other provinces, but those too have been affected. The Kabul Government is strictly controlling wheat purchases in towns, and the farmers, who are mostly in Mujahideen-held areas, no longer have livestock to sell in order to pay for it.

The situatioo was worsened this year by a wheat blight which destroyed much of the crop sown in spring.

In the most seriously affected provinces of Badghis, Herat, Samangan, Faryah and Badakshan, the report says, "farmers will have no alternative but to become internal refugees and migrate to towns, or, if they have the resources, to Iran or Pakistan".

Intifada leaders condemn killings

By Hugh Carnegy in Jerusalem

PALESTINIAN leaders have appealed for an end to a spate of killings of Arabs in the occupied West Bank and Gaza Strip amid concern that attacks on alleged collaborators and factional infighting have got out of hand.

A feature recently of tbe uprising, or *intifoda*, in the occupied territories – now in its 22nd month – has been growing numbers of often hrutal murders of Palestinians accused of being informants. More than 115 people have died in this way – about one sixth of the total number of Arabs killed during the *intifada* – most of them this year. Seveo have been killed in the last five days.

Yesterday, a group of eight Palestinian organisations in Gaza, including the Lawyers Union and the Arab Medical Society, specifically denounced the killing of three people in the space of an hour in Gaza last week, one of whom was axed to death in a hospital. The groups called for a stop to such actions.

Their appeal in Arah newspapers followed a similar plea on Israel's Arabic television service hy Assad Saftawi, a leading pro-Palestine Liberation Organisation figure in Gaza. He said the accusation of collaboration was being used to disguise "private disputes, clan disputes and political disagreements".

Meanwhile at the weekend it emerged that Mr Yassir Arafat, the PLO chairman, had sent a handwritten note to *intifada* activists detained in an Israeli desert prison camp urging the factions to end their disputes.

● Mr Yitzhak Shamir, the Israeli Prime Minister, yesterday re-affirmed in strong terms his opposition to an Egyptian proposal to convene peace talks between Israeli and Palestinian delegations in Cairo. "Were we to sit together, it would not be negotiations for peace but surrender talks. There is no justification for Israel to surrender, to accept the *intifada* as victorious or accept the PLO as the owner of part of the land of Israel."

Vietnam claims complete pull-out from Cambodia

THOUSANDS of Vietnamese soldiers pulled out of Cambodia yesterday, in what Hanoi said was the end of its involvement in the decade-old Cambodian civil war, AP reports from Moc Bai, Vietnam.

Schoolchildren, peasants and city dwellers lined Highway One, waving flags and cheering their troops in a government-organised celebration. The narrow highway was one of the main routes used by Vietnamese forces when they invaded Cambodia in late 1978 to oust the *Khmer Rouge and* instal a pro-Hanoi Government.

The Camhodian guerrilla resistance has called the withdrawal a ruse, alleging that many Vietnamese soldiers were left behind.

Meanwhile, a radio station operated by the Khmer Rouge claimed the group's fighters had taken two positions near the Western city of Pailin. The guerrillas have mounted an offensive in the gem-rich area in an attempt to gain a base inside the country.

In Ho Chi Minh City, formerly Saigon, Vietnamese government officials confirmed that Vietnam and Camhodia would renegotiate their treaty of "peace and friendship". The treaty, in essence a mutual defence pact, conflicts with the Phnom Penh government's stated goal of neutrality.

Somali's Barre lashes out from a fast-shrinking power base

Human rights atrocities grow as civil wars and economic decline wrack a 20-year-old regime, writes Julian Ozanne

SOMALIAN Presideot Siad Barre's teouous hold on power is unravelling after almost 20 years of oppressive and corrupt rule.

A recent report hy the American human rights organisation, Africa Watch, bas highlighted tbe plight of a country wracked hy civil wars to the north and south, the outhreak of inter-clan feuding, army mutinies and desertions, growing urban and religious opposition and economic decline.

According to tbe report, Somalia's capital of Mogadishn was just beginning to recover after two days of anti-government demonstrations and rioting last July, which bad left at least 450 dead, when the army began house-to-bouse searches.

Hundreds of civilians were dragged from their heds and takeo to prisons and detention centres. On July 16, 46 men from the Isaaq clan, a source of powerful opposition to the Barre regime, were singled out and taken by security forces to Jezira beach, south of the capital. There, among tbe sand dunes, they were executed.

"The extent of its own unpopularity, even in Mogadishu, has clearly disoriented the Government and encouraged it to lasb out at the groups it sees as responsible for the political turmoil: religious leaders, the intelligensia and the central committee of the party," says Africa Watch.

Forces belonging to the powerful Ogadeni clan, the backbone of the army, have begun defecting from the Somali Armed Forces over discontent with lhe narrow tribal politics of President Barre's Marehan group. Within the last three months a large area of southern Somalia is reported to have been taken by rebels under the Ogadeni-dominated Somali Patriotic Front.

This challenge from the south has strained the over-stretched and under-supplied 65,000 troops loyal to the ageing presideot. In the north a battle has been under way for 16 months between government forces and the rebel *Somali National Movement*, made up of the Isaaq clan. The rebels have driven government troops out of large parts of northern Somalia.

Presideot Barre's authority is now limited to a few heavily fortified towns.

Tbe wars have sent tbousands of refugees over the borders to Ethiopia, Djibouti and Kenya and look set to have an nnsettling inflnence on tbe region. Last week Somali soldiers killed four Kenyan policemeo as they crossed the border in pursuit of fleeing refugees believed to be supporters of the Somali Patriotic Front. President Daniel arap Moi of Kenya ordered his security forces to retaliate in future and cross into Somali territory.

Presideot Barre's response to the outhreak of opposition to

his rule has been typical. In Mogadishu secret police have pnrged potential centres of opposition. Thousands have been arrested and detained by the National Security Service, a body with a long record of human rights violations. Many are being held on the flimsiest of allegations levelled by an extensive network of informers, who are using the opportunity to settle personal scores.

The few Isaaqs remaining in the capital are in hiding. Two cabinet ministers have been arrested for "anti-government activity", and President Barre has consolidated his dynastic power base in the hands of his son General Masleh Mohamed Siad Barre, head of the armed forces, his half-brother Mr Abdirahman Jama Barre, foreign minister, and his son-in-law, Mr Ahmed Suleiman Abdalla, minister of the interior.

President Barre's announcement three weeks ago that the Government had approved the creation of a multi-party system and would prepare for parliamentary elections by the end of 1990, has been brushed aside by the rebels as a desperate last-ditch effort of the regime to clutch onto power.

From the countryside come reports that the army has got out of control, razing villages and indiscriminately executing civilians. President Barre has armed a uniformed militia called the "The Victory Pioneers", who have traditionally acted as his personal agents of political control forcing people to attend the local "orientation centre" for political indoctrination and encouraging children to spy on their parents.

Other tribal groups have also been armed, which has encouraged the settling of fierce clan rivalries. Outbreaks of banditry have been reported throughout the country.

Already at least 5,000 civilians are believed to have been killed between May 1988 and March 1989.

A report released earlier this month commissioned by the US State Department documents the appalling atrocities committed by the Somali Armed Forces who, it says, "appear to have engaged in a widespread, systematic and extremely violent assault on the unarmed civilian Isaaq population". Many of the people executed by the army had their throats cut, the report adds, and were buried in mass graves.

On the economic front, the war has severely disrupted the country's chief export earner, livestock. Last year livestock exports were down from $90m in 1987 to $59m. Inflation is running at 100 per cent and the capital has been hit hut a shortage of bank notes forcing traders to rely on "circular" cheques which change hands as hard currency. The external debt burden is $1.8bn with a debt service ratio of 181 per cent.

In the past President Barre has foiled challenges to his rule by displaying considerable skill at building coalitions among competing clans while maintaining absolute power. But his room to manoeuvre now is severely circumscribed.

Hong Kong's tourism trade still suffering

By Michael Marray in Hong Kong

SEVERAL months after the violent crackdown on China's pro-democracy movement Hong Kong's tourism industry is still feeling the effects, with the number of visitors down by 16.9 per cent during August over the same month in 1988.

The drop in arrivals was even more pronounced in July, with a 22.2 per cent decrease. Mr Martin Barrow, chairman of the tourist association, said yesterday that the number of visitors during 1989 could be slightly lower than the 5.6m last year. People from Europe and North America particularly have been avoiding Hong Kong, with arrivals from these regions both down by more than 30 per cent during August. Many tourists from these countries visit Hong Kong as part of a package inclnding China, which accounts for a large part of the cancellations since June 4.

THE IMF IN WASHINGTON

The rules reduction route to debt relief

Debate grows over the needs of the initiative and those of the banking system, writes Stephen Fidler

FROM the beginning, a central element of the debt initiative launched in March by the US Treasury Secretary, Mr Nicholas Brady, has been the call for a clearing of tax, regulatory and accounting obstacles in the way of debt reduction.

One of the more enduring mysteries about the Brady initiative was what, if anything, was being done to this end?

This weekend communique from finance ministers and central bank governors of the Group of Seven industrialised countries said that ministers "noted that they had reviewed, in a manner consistent with maintaining the safety and soundness of the financial system, their regulatory, tax and accounting practices with a view to eliminating unnecessary obstacles to debt/debt service reduction transactions and that this review had helped to clarify procedures to facilitate such transactions".

This wording partly reflects the view of bank supervisors that encouraging debt and debt service reduction could clash with their aim to ensure the banking system's stability.

A speech this week by the president of the Federal Reserve Bank of New York, Mr Gerald Corrigan, has provided evidence that central bankers have been thinking long and hard about these matters.

Much of Mr Corrigan's speech in Washington to that influential private sector body, the Group of 30, was not new, but his statement suggests the US authorities intend to make it as easy as they prudently can to aid the implementation of the Brady initiative.

Some commercial bankers were yesterday even interpreting the speech as an attempt by Mr Corrigan, who has played a significant role in mediating the Mexican initiative, to prop up a faltering Brady initiative.

Success on the Mexican package depends critically on some 20 per cent of the lending banks choosing the option to make new loans, rather than swapping their exposure, the other two options for the 6¼ per cent fixed rate debt-service reduction bonds or the bonds carrying a 35 per cent discount to the face value of the old loans. Both honda are "enhanced" by interest guarantees of at least 18 months and collateral covering the principal repayments after 30 years.

In his speech, Mr Corrigan emphasised a case-by-case philosophy towards the providing of reserves by banks "that avoids the perception that there is a single reserve or provision ration that is 'right' for all institutions at all times".

He said "it would not be unreasonable" for trade credits to problem debtors to be excluded from provisions, provided interest payments on those credits remained performing. In its statement earlier this month on its decision to provide reserves against 100 per cent of its medium- and long-term exposure to problem debtor countries, J P Morgan made this distinction between trade and other credits.

Mr Corrigan also indicated that tax benefits available to individual banks should not be forgotten in assessing the adequacy of reserves.

"Based on developments prior to this current quarter, this tax adjustment factor raises the average effective reserve coverage ratio of US money centre banks by almost 5 percentage points."

This measure should also take into account the present value of any collateral or interest guarantees, such as those provided in the Mexican deal, further raising the ratio.

For those banks wishing to make new loans, "additional reserves need not be automatically established in connection with fresh credits to debtor countries in connection with internationally supported financing programmes".

In the case of deals such as that for Mexico, the new bonds created should require a lower level of reserves, provided the instrument is booked at par and appropriately enhanced, and being serviced. When the bonds are being used as an exit instrument and provided reserves are otherwise satisfactory, the collateral and interest guarantee on the bonds may suffice as adequate reserve coverage.

The approach, be said, is designed both to recognise countries which have been promoted out of the problem category and the special nature of trade credits. It aims to provide flexibility for deals of the Mexican type.

It tries also to "provide the necessary flexibility within which banks can, consistent with their own business and credit judgements, choose new money options without having to provide further reserves so long as their overall reserve position is adequate".

Mr Corrigan's flexibility will not he reflected everywhere. For its part, the Bank of England has indicated that it can see no reason for new loans to carry smaller provisions than existing ones.

Its attitude to the Mexican package has been criticised by some bankers as uneven, but it has been guided almost entirely by its views as a supervisor.

New loans to the country will carry the same cushion of provisions as the old, while the 6¼ per cent fixed-interest bonds will carry the same provisions as the loans. The discount bonds will carry no provisions at first, and reserves will only be required from banks if there is a significant deterioration in Mexico's payment record.

However, in an important concession, commercial bankers say that the Bank has conceded that a standby financing for Mexico, necessary to bring forward all the interest enhancements on the bonds, will need to carry no extra provisions. As a result, most, if not all, of the British clearing banks will contribute to the standby.

Terry Kirk

Robin Leigh-Pemberton, governor of the Bank of England, left, and Alan Greenspan, US Federal Reserve Board chairman, in Washington: central bankers in search of fewer accounting obstacles to debt reduction

Camdessus urges banks to step up lending

By Peter Norman, Economics Correspondent in Washington

MR MICHEL Camdessus, the managing director of the International Monetary Fund, yesterday warned banks not to expect any increase in official lending to highly indebted developing countries.

He told the opening session of the annual meeting of the IMF and World Bank that commercial banks should step up their lending to debtor nations.

"Official creditors have maintained a high level of net lending to developing countries since the outbreak of the debt crisis. It is now vital to establish the necessary conditions to bring about a more appropriate contribution from the private sector," he said.

Mr Camdessus noted that in recent years net new private lending had been far less than the outflow of funds from debtor nations in the form of interest payments. He urged the banks to speed up their negotiations of financing with debtor countries, arguing that prolonged delays could threaten to derail otherwise good economic reform programmes and postpone the introduction of essential policy changes.

In his address, he repeated his demand for a substantial increase in IMF quotas or subscription rights, noting that 15 of the 22 directors on the IMF's executive board backed his call for a doubling of quotas.

He warned that an increase of less than 80 per cent would reduce access to the Fund of countries hoping to benefit from the Brady debt reduction plan. If the Fund members went to compromise on a 67 per cent increase, as suggested on Monday by Mr Onno Ruding, the chairman of the IMF's Interim Committee, the Fund would have to continue to borrow resources in the 1990s, he said.

Mr Camdessus said that one of the most difficult challenges for the 1990s will be transformation of communist, centrally planned economies into more market based systems. Reviewing the industrialised economies, he said that the challenge is to raise national savings everywhere.

Argentina expected to sign agreement soon

By Stephen Fidler

ARGENTINA soon will sign a letter of intent with the International Monetary Fund, placing the Fund's seal of approval on the economic programme of the new administration of President Carlos Menem.

Mr Javier Gonzalez Fraga, president of the Argentine central bank, said yesterday that the letter of intent had been drafted and should be signed within the next week or two. IMF officials confirmed agreement appeared close.

Agreement would entitle Argentina to perhaps $1.5bn under a one-year standby programme, although the final sum has not been agreed. More significantly, it would bring Argentina, which fell briefly into arrears with the Fund earlier this year, out of the international economic wilderness.

It would pave the way for loans from the World Bank and Inter-American Development Bank.

Mr Gonzalez Fraga said he hoped that Argentina would convert the standby in time into a longer-term extended fund facility.

He said it was essential to make sure progress in fighting inflation since the middle of the year was not a short-term phenomenon. Inflation had dropped from a peak of 240 per cent in July alone to about 5 per cent in September, much of it due to lags in statistics.

This was only possible by structural reform, opening the economy to foreign investment and competition, and by privatisation. The wide range of measures he described to bankers at a meeting in Washington included some giving the central bank greater independence from the executive. It would also reform and simplify the tax system, for the first time providing jail sentences for tax evaders.

He said that in the second quarter of this year the fiscal deficit was running at 20 per cent of Gross Domestic Product on a cash basis, and would have been even higher had the government been paying interest on its obligations. The aim is for a 6 per cent fiscal surplus next year on a cash basis.

Mr Gonzalez Fraga said he believed that debt-to-equity swaps could be a useful element of the country's privatisation plans, but use of such schemes outside of this context would have to be considered more carefully because of the impact on the monetary base. Nevertheless, he personally favoured the concept.

He said that Argentina still suffered from an overhang of external debt but was not yet ready to begin negotiations with its bank creditors. More than $3bn in arrears had built up with the banks. This would happen as soon as the priority of getting the economy back on course was achieved.

Talks on Chile debt buy-back

CHILE'S Finance Minister Mr Enrique Seguel met World Bank and commercial bank officials to discuss plans to buy back $330m of debt in the next few weeks, Reuter reports from Washington.

The World Bank will lend Chile $150m to support capital market development, of which $80m will be used to part-finance the debt buy-back.

The International Monetary Fund will lend another $80m, also to finance the buy-back.

Mr Seguel has said Chile wants a discount of at least 40 per cent in the buy-back, which is expected to take place in October.

In the past few years, Chile has reduced about $7bn of its debt through buy-backs and debt equity swaps, leaving the total now at about $17bn.

On Monday, Mr Seguel met the World Bank vice-president for Latin America, Mr Shahid Hussain, as well as Citicorp chairman Mr John Reed, Manufactnrers Hanover chairman Mr John McGillicuddy and Federal Reserve Chairman Mr Alan Greenspan.

Yesterday he was dne to meet Mr Nicholas Brady, the US Treasury Secretary, and Japan's Ex-Im Bank President Mr Takishi Tanaka.

Cut defence budgets, Conable tells developing nations

By Peter Norman in Washington

MR Barber Conable, the President of the World Bank, yesterday castigated developing nations for spending more on military budgets than on health and education.

Addressing the opening session of the IMF and World Bank annual meetings, he said that low-income countries allocated around $200bn to defence or 20 per cent of central government budgets. This was a prime source of external debt, accounting for a third or more of total debt service in several large developing countries.

Mr Conable said developing countries should place their military spending decisions on the same footing as other fiscal decisions and bring them into better balance with development priorities.

Calling on governments to look at the effectiveness of the money they spend, he said developing countries should build schools rather than "white elephant projects in industry." They should also provide essential urban services and not divert scarce resources to luxuries for select groups.

Mr Conable said that the Bank would increasingly stress its "core business" as it moved into the 1990s. This was, he said, "supporting efficient, long term investment which multiplies domestic entrepreneurial energies and productivity and which directly addresses the needs of poor people."

He said the Bank's role as a promoter of efficiency and of market-oriented investment would be particularly important in the task of reforming the centrally planned economies of eastern Europe. Although the Bank had a substantial involvement in several socialist countries, he warned that the economic and political uncertainties were formidable with few precedents to guide reformers.

Mexican standby loan deal close

By Stephen Fidler

A $1.3bn standby loan for Mexico, essential to the success of the country's debt agreement, is close to be being agreed.

The standby, in the form of a letter of credit, is needed to bring forward the enhancements on the new bonds to be issued as part of the package. Some $7bn of interest guarantees and collateral are enhancing the bonds, but all the resources being provided for this purpose by the International Monetary Fund and World Bank are not available immediately, hence the need for a bridging facility.

Most US banks are ready to join, although some are unhappy about doing so. Four out of the five main British lenders, including Standard Chartered, have expressed a willingness to put up funds, thanks in part to a favourable ruling from the Bank of England on provisions.

Even with the letter of credit in place, bankers are not taking for granted that the deal will be a success. Mr Willard Butcher, chairman of Chase Manhattan Bank, said: "A great deal still needs to be done. About 20 per cent of the banks will have to put up new money, in order for there to be enough enhancements for the remaining 80 per cent, and that's still in the lap of the gods. It's going to be a close run thing."

AMERICAN NEWS

Quebec elections return Bourassa and Liberals

By Robert Gibbens and David Owen in Montreal

MR ROBERT Bourasaa, Quebec'a Premier, and the Canadian province's Liberal party have been voted back with a big majority in Monday's provincial election.

The outcome left the leaders of all three partiea who returned MPs to the National Assembly with something to smile about.

The ruling Liberals won 92 seats in the 125-seat National Assembly, down from 98 but retaining power. The Opposition Parti Quebecois increased their seats to 29 from 25, and the Anglophone protest party gained 4 seats. The previous Assembly had 122 seats. Recounts could increase the PQ representation by two more seats.

The biggest surprise was the success of the six-month-old Equality Party in several Anglophone ridings in western Montreal. Voters protested against Mr Bourassa's language policies restricting English commercial signs. The vote also partly rebuts PQ charges that the Liberals are the party of the Anglophones.

The pattern of voting through the province was similar to December 1985. The PQ, under Mr Jacques Parizeau, the Finance Minister from 1976 to 1984, won 40 per cent of the heavy popular vote, up slightly from 1985, and the Liberals 50 per cent, down slightly.

The Liberals campaigned on their economic record, the PQ gave priority to independence and promised C$3.3bn (£1.7bn) in extra spending.

The result indicates about 20 per cent of the electorate still favours independence, while 20 per cent are dissatisfied with Mr Bourassa'a leadership. Quebec's largest union federation told its members to vote PQ. Mr Bourassa suffered slightly from a confrontation with the public sector unions during the campaign.

The vote strengthens Mr Bourassa's hand in seeking passage of the Meech Lake constitutional agreement, which designates Quebec as a "distinct sociaty" and increases certain provincial powers.

The provinces of New Brunawick and Manitoba have refused to sign the agreement and opposition has increased in British Columbia and Ontario.

But if Mr Brian Mulroney, the Prime Minister, cannot persuade all 10 provinces to sign by the deadline next June, Mr Bourassa would be forced into a more extreme position.

In his victory address at a Montreal discothèqne, Mr Bourassa maintained that the result demonstrates that Quebecers still aee economic strength as "the first priority".

An ebullient Mr Parizean hailed his party's improved showing on an equivocably separatist platform as evidence that "we succeeded ... on giving back to this party the conviction that it once had.

"Wa have to harass this government that no longer knows how to manage or administer. We will expose it constantly," he promised.

Bourassa waves to the crowd after Monday's election

'Silent Sam' true to form at US hearing

By Nancy Dunne in Washington

MR Samnel Pierce Jr, tbe former US Housing Secretary, whose eight-year tenure during the Reagan Administration was the focus of scandal, yesterday eight times invoked his constitutional right against self-incrimination and refused to testify before a House subcommittee.

At a hearing markad by exaggerated displays of Congressional courtesy and outrage, Mr Pierce (nicknamed "Silent Sam" when at the Departmant of Housing and Urban Development) pleaded the Fifth Amendment. He was bitterly criticised hy members, who issued a subpoena to get him there.

In a hrief statement, Mr Pierce said attacks on him by members of the panel "lead me to the painful conclusion that I have been prejodged by this body".

Cameras and radio microphonaa were harred from recording Mr Pierce's stand after his lawyers invoked a rarely used House rule to prevent coverage. The Committee counter-attacked hy permitting media coverage of its opening statements, and members used the opportunity to rage about alleged fraud, influence-peddling and mismanagement at tha Department.

Mr Ted Weiss, a New York Democrat, said the Reagan Administration had pnt appointees in the Department who were "hostile" to its aims and after repeatedly cutting its budget "the effort was, milk it for all it was worth for the benefit of ... political allies."

Mr Tom Lantos, a California Democrat chairing the hearing, was ready when Mr Pierce's chief lawyer tried to object to the public attack. Reading a prepared statement, he cited a House rule which forbids witnesses' counsel to speak. "At this hearing, yoo are, in fact, a potted plant," Mr Lantos said.

"Silent Sam" was given tha right to intervene but true to form he said oothing. In previons sworn testimony, he denied involvement in the distribution of hundreds of millions of dollars in federal housing grants to political frieods of the Reagan Administration. Other witnesses contradicted this and Mr Pierce was called to "clarify the cootradictions."

Inflation fear hits Rio markets

By Ivo Dawnay in Rio de Janeiro

RENEWED fears of a surge in inflation led to sharp rises in gold and the dollar in Brazil's nervous financial markets yesterday.

Preliminary projections for September, measured to the middle of the month, suggest prices have increased by 35 per cent, up from 29 per cent in August. This is reflected in government interest rates nearing 55 per cent, paying a nominal 38.47 per cent after deductions. Analysts are attributing the increases to a growing lack of confidenee in forecasts for inflation.

By midday, gold had leapt NCz5 to NCz82 a gram with trading volumes up. The selling price for the black dollar moved up from NCz6.10 to NCz6.90, nearing a 100 per cent margin on official exchange rates.

The country's economic instability has led to conservativa banks and financial institutions abandoning the weekly auctions for the government'a principal paper, the Letra de Financiamento do Tesouro (LFT).

On Monday, annual interest rates for the commercial banks' pre-fixed 30-day certificates of deposits (CDBs) jumped an astonishing 4,300 percentage points to 9,800 per cent. Howevar, the huge increase is purely symbolic as the market has long been deserted; credit demand has dried up.

Financial analysts fear that if the much forecasted hyperinflation comes, it will do so all at once. "It is as if you are holding a bomb with a lit fuse," said Mr Daniel Dantas, a director of the Icatu bank, "we will only know about the explosion when it happens, not before."

Reports from Washington claim that Mr Mailsoo da Nohrega - currently at tha International Monetary Fund meeting - will begin a new attempt to "talk down" inflationary fears on his return. He is expected to give undertakings to businessmen to hold down public sector tariffs in return for reductions in profit margins.

But there is uow renewed speculation that the government may be forced to introduce a new crisis plan soon after the presidential elections, scheduled for November 15 with a second run-off round on December 17.

US refusal to issue visas may damage its relations with PLO

By Peter Riddell, US Editor in Washington and Jihan El-Tahri in Tunis

RELATIONS between the US and tbe Palestine Liberation Organisation may be damaged by the refusal of US visas for PLO officials visiting the United Nations General Assembly in New York.

More than two-thirds of the US Senate have signed a letter urging the US Government to refuse a visa to Mr Yassir Arafat, the chairman of the PLO, if he seeks to come to New York to address the UN.

Last year the Reagan administration refused a visa for Mr Arafat which prompted international protests and the holding of a special session of tha General Assembly in Geneva to permit Mr Arafat to speak.

The issue is even more difficult for the State Department this year because it has beeu engaged in a dialogue with tha PLO since last December, which has continued in spite of considerable strains. But Mr Yassir Abd Rabbo, head of the Palestinian delegation in the dialogue with the US in Tunis, has not been granted a US visa to attend the Assembly's opening session.

Mr Rabbo, a member of the left-wing PLO factioo, tbe Democatic Front for the Liberation of Palestine (DFLP), is one of tbe architects of tbe "Palestinian peace initiative" announced in Algiers last November calling for a two-state solution, renouncing terrorism and recognising Israel.

While Mr James Baker, the Secretary of State, haa beeo more sympathetic to the dialogue and more impatient with Israel than was the case for most of the Reagan administration, granting a visa to Mr Arafat would be a very public and highly controversial, acknowledgement of the shift.

The State Department has been able to sidestep the question so far since Mr Arafat has not applied for a visa, though he may still do so to address the Assembly in early November wben the Palestinian issue comes up. PLO officials have said that Mr Arafat is seriously considering an application which the US is believed privately to be discouraging.

The 68 Seoators (17 more than backing a similar call last year) argue in their letter that Mr Arafat has failed to live up to commitments he gave last December, when the dialogue started, to recognise Israel'a right to exist and to renounce terrorism. They say that "this is not the time for unearned concessions or rewards, sucb as reversing the current policy of denying a visa for Arafat to enter the US, or elevating the PLO dialogue to higher levels."

Call for reform of US banking laws for 1992

By Peter Riddell, US Editor in Washington

THE creation of an integrated European market after 1992 heightens the need to reform US laws separating commercial and investment banking. Mr William Seidman, the chairman of the Federal Deposit Insurance Corporation, said yesterday.

Along with other Federal regulators, Mr Seidman was giving evideoce to a House sub-committee examining the implications of the 1992 process. All agreed that European integration should not threaten the access to Europe of US banks, though they would face intense competition.

In parallel evidence, Mr Manuel Johnson, vice-chairman of the Federal Reserve, said the Fed did uot anticipate any problems of access for US banks, but it would be monitoring the situation closely.

Durable goods orders in US up 3.8% in August

NEW factory orders for durable goods in the US rose a seasonally adjusted 3.8 per cent in August from the preceding month, AP-DJ reports from Washington.

The August percentage rise in oew durable goods orders is the steepest since a rise of 7.4 per ceot in December 1988.

The Commerce Department said new factory ordera for durables rose to an adjusted $126bn last mooth after falling a revised 2.5 per ceot in July to an adjusted $122bn and rising an unrevised 1.3 per cent in June to an adjusted $125bn.

The July decrease was previously estimated at 2.2 per cent.

A Dow Jones survey of 11 economists published on Mooday found an average estimate of a 1.0 per cent rise in August durable goods orders.

New orders for non-defence capital goods, considered a barometer of future plant and equipment spending, fell 9.8 per ceot in August to an adjusted $37.38bn, following an increase of 5.9 per cent in the preceding montb to an adjusted $41bn.

Orders for defence capital goods rose 1.9 per cent last month to an adjusted $7.77bn after falling 14.7 per ceot in the preceding mooth to $7.62bn.

Without the defence componeot, overall oew orders for durable goods rose 3.9 per ceot last month.

Excluding the transportation sector, durable goods orders in August rose 2.7 per cent after falling 4 per cent the mooth before.

Durable goods shipments last month rose 9.5 per ceot to an adjusted $128bn after falling 3.7 per cent in the preceding mooth to an adjusted $117bn.

The hacklog of orders last mouth fell 0.3 per cent to an adjusted $474bn after increasing 1 per cent in the preceding mouth to an adjusted $475bn.

US knitwear group files Far East dumping complaint

By Nancy Dunne in Washington

AMERICA'S National Knitwear and Sportswear Association has filed a huge anti-dumping case with the US Government against imports of man-made fibre sweaters from Taiwan, South Korea and Hong Kong.

The first complaint filed by an apparel trade group in recent memory, it alleges that sweaters, made predominantly of acrylic fiber, were sold to American retailers, importers and wholesalers at less than the cost of production or priced lower than wheo sold at home or in third-country markets.

The Commerce Department's International Trade Association has 20 days in which to decide whether to investigate the complaint. A spokesman said a case of this size is almost certain to be accepted.

Forty-five days after the complaint was filed last Friday, the International Trade Commission must issue a preliminary finding on whether there has been any injury from the imports.

The Commerce Department has 160 days to issue a preliminary determination of the extent of the injury.

If the Commerce Department agrees with the assertions in the complaint, penalties could range as high as $540m (£337m) for imports from Taiwan, $250m for South Korea, and $96m for Hong Kong.

Mr Ivan Gordon, president of the Association, said 96m man-made fibre sweaters were exported to the US last year by the three countries.

Imports now account for more than 70 per cent of the US market at a time when the man-made fibre sweater market has been shrinking.

The Associatioo said it filed its first case ever only after extensive study and analysis of foreign manufacturing costs, cross-border pricing, and impact on domestic producers.

The studies estimated dumping margins at between 44 and 191 per cent from Taiwan; between 13.5 and 94 per cent from South Korea, and between 25 and 115 per cent from Hong Kong.

Several importers yesterday warned that American consumers would ultimately pay the costs if the government finds in favour of the Association. The Association said the domestic industry is already protected from competition by the Multi-fibre Arrangement (MFA), and they complained that the case would damage negotiations uoder way in the Urnguay Round of international trade talks.

"With imports representing nearly three out of every four man-made fibre sweaters sold in America today, it can hardly be claimed that the US market or the domestic industry has been protected from foreign-made goods," said Mr Seth Bodner, executive director of the Association.

He emphasised that the petition seeks protection from unfair prices, an action consistent with American and international trade agreements, and not one which would restrict the flow of goods into the US.

Lufthansa to order 20 A-321 Airbuses

LUFTHANSA has decided to order 20 Airbus A-321 aircraft, with options on another 20, and to convert options on six Boeing 737-300s and 14 Boeing 737-500 jets into fixed orders, Reuter reports from Paris.

The supervisory board of the airline will also convert into fixed orders options on one Airbus A-300-600 and one Airbus A-310-300, Lufthansa said.

The new firm orders, valued at DM3.2bn (£1bn), are part of a buying programme which is intended to increase Lufthansa's fleet to 227 from 163. The annoucemeot brings to DM13.2bn the total planned investment between 1990 and 1998.

In addition, the company held options worth a further DM7.2bn which could be converted into orders at short notice, the airline said.

CFM wins $1bn engine contract

CFM International, the Franco-US aircraft engine maker, has won a $1bn (£625m) contract to supply at least 200 engines to Guinness Peat Aviation, William Dawkins reports from Paris.

The company, jointly owned by General Electric of the US and Snecma, the French state-owned aircraft engine maker, will be supplying engines for use in Airbus A-320, A-321 and A-340 aircraft, as well as Boeing 737s.

The deal comes little more than a week after the French Government announced a FFr2.3bn (£230m) capital restructuring designed to boost Snecma production.

A tough Indian road to Japanese standards

Motorcycle maker's venture with Yamaha is at last paying off, writes **David Housego**

FOR three years Escorts, India's largest manufacturers of tractors and motorcycles, piled up losses on its collaboration with Yamaha of Japan to build a 100cc motorcycle in India.

"It felt like walking through a tunnel with no light at the end," says Mr B. R. Kapoor who manages the new plant at Surajpur on the outskirts of Delhi where the motorcycle is being made.

Escorts signed an agreement with Yamaha to manufacture a 100cc bike in 1983 when the Government allowed more ties with Japanese automotive manufacturers and there was room in the Indian market for a more powerful, stylish bike. However, prodnction did not get under way until late 1985 because Escorts had to ward off a takeover bid. By then two other new Japanese motorcycles were being produced in India and a third was on its way.

At the same time production costs rose because of the appreciation of the yen – almost 300 per cent against the Indian rupee in the past three years – with the first bikes produced containing 40 per cent of Japanese imported parts.

Escorts' plant is an example of the growing influence of Japan on Indian manufacturing. The day begins with 10 minutes of exercises

The wave of joint ventures and technical collaborations with Japanese companies in the early 1980s was similarly hit. Most in the vehicle industry are still making losses, including ventures with Suzuki and Kawasaki in motorcycles and Toyota and Mitsubishi in trucks and light commercial vehicles.

But Escorts, which has a licensing agreement with Yamaha, feels it is at last turning the corner. As an established motorcycle maker, it has been best placed to invest in new machine tools to push up the proportion of locally-manufactured content to 90 per cent and it has rapidly expanded sales and market share.

In the current financial year it expects profits for its Yamaha division of Rs25m (£960,000) compared with cumulative losses to date of Rs190m. By the end of the year when outpnt should have reached an annualised rate of 90,000 units, or full capacity, compared with 70,000 units, profits should rise to Rs130m.

Mr Anil Ambani, managing director of Escorts, claims that in some areas of the plant where new investments have been made – the welding line, the crank case and cylinder block units – productivity is on a par with Japan.

With the depreciation of the rupee giving India a competitive edge abroad, Escorts are negotiating with Yamaha to manufacture parts for their after-sales market in South East Asia. Other Escort officials believe the Indian plant can now compete in quality and cost with similar Yamaha models selling in Singapore for US$900.

The Surajpur plant, which rises out of what is still green fields on the outskirts of Delhi, is an example of the growing influence of Japan on Indian manufacturing. Designed by Joseph Allen Stein, an American living in India and one of the country's best-known architects, it is lit and aired by glass-domed towers rising above the roof.

The average age of employees is under 25. They begin the day Japanese-style with 10 minutes of morning exercises. Assembly line workers and executives wear the same grey-blue shirts and trousers – though the Japanese practice of lunching together has been abandoned. The plant is peppered with slogans such as "quality is everyone's business".

The plant has far fewer workers than Escorts' other motorcycle plant which manufactures the *Rajdoot*, the sturdy Polish-Indian designed bike that is still the largest seller in the Indian countryside. At Surajpur, a total workforce of 700 employees make 6,000 bikes a month. At Escorts' other plant 4,000 make 8,000 bikes.

The defect level on finished vehicles at the Yamaha plant has dropped to 4 per cent. In the engine shop it is still much higher with 10 per cent of engines being sent back for reworking. Mr Nanda says that when Escorts planned the plant in 1983, they expected an output of 150,000 bikes a year and an investment of Rs350m. As a result of the sharp appreciation of the yen, they have had to invest Rs500m to obtain higher local content more rapidly.

They obtain 60-65 per cent of their components from Indian suppliers outside the plant. This is the source of their biggest problem because deliveries are uncertain and some component manufacturers have not made the investment to achieve the quality required.

With sales of 70,000 units a year, Escorts' Yamaha division has 26 per cent of the Indian market for Japanese bikes. It has no problem in selling what it produces and believes that output will grow on the back of both increasing demand and increased market share.

Escorts advantage is that with the Rajdoot it has over 40 per cent of the Indian market and thus a strong base on which to expand further. It is planning to bring out two further Yamaha models, including a four-stroke engine, over the next six years and will soon be looking to the export of finished bikes.

Trade complaint withdrawn

THE US Pharmaceutical Manufacturers Association has withdrawn a trade complaint against Argentina, citing progress made in bilateral consultations on Argentina's intellectual property protection policies, Nancy Dunne reports from Washington.

Mrs Carla Hills, US Trade Representative, said Argentina has expressed a "willingness to modify its pharmaceutical product registration procedures and address constructively the issue of patent protection for pharmaceutical products".

Consultations will continue, but Mrs Hills said that progress in the talks has been "satisfactory" enough to encourage withdrawal of the complaint.

Moonies 'to build cars in China'

A COMPANY owned by the Unification Church – known as the "Moonies" – is to invest $250m (£156m) in a car plant in the southern China province of Guangdong, the company has announced, Maggie Ford reports from Seoul.

Panda Motor Company said it plans to produce 300,000 cars a year at the plant. But it is not clear where Panda plans to acquire the technology to produce the cars.

A company called Tongil Corporation, based in South Korea and owned by the church, produces car components and machine tools, but does not manufacture vehicles.

The car project has attracted particular attention because it is the first major foreign investment to be announced for China since the June crackdown on the students' democracy movement.

A spokesman for Tongil Corporation said he had no knowledge of the plan. As Panda Motor is registered in the US, the church is unlikely to have sought involvement or clearance from the South Korean Government for the investment in China.

British Aerospace pushes ICI off the top of the UK export league

By Peter Montagnon, World Trade Editor

BRITISH Aerospace shot to the top of the league of the top 100 UK exporters last year with total exports up 56.69 per cent to £4.39bn, according to the annual listings compiled by the Financial Times.

Its takeover during 1988 of the Rover group, whose exports are now included in its overall total, helped boost its strong lead over ICI, last year's top exporter, but buoyant demand for its defence and aerospace products would have put it in first place even without the car firm's figures.

ICI came in a distant second with exports of just over £3bn, pushing BP, long Britain's leading exporter, further down the rankings to third place.

BP exported only £2.28bn despite its takeover during the year of Britoil which ranked 12th in 1987 with exports of £811m.

A feature of the table is the continuing decline in relative importance of oil companies as exporters.

All oil companies in the top ten exporters' list posted sharp declines in their export earnings, ranging up to 31.7 per cent for Esso UK.

The figures cover only products actually exported from the UK which are separate from overseas turnover and give an incomplete picture of the international reach of Britain's leading companies.

A different picture emerges when overseas earnings are considered separately from exports.

BP's overseas earnings excluding direct exports, amounted to more than £15bn. Those of BAT Industries, which ranks only 18th in the list of top exporters, amounted to nearly £10bn, while ICI's overseas earnings of £6bn are roughly double its direct exports.

Nearly a quarter of the companies featured in the top 100 list generated all their overseas turnover from exports.

These included British Aerospace in first place and IBM UK Holdings in fourth place with exports of £2.14bn.

A further 11 companies ranging from Pirelli (UK) to British Steel generated over 80 per cent of their overseas turnover from direct exports, suggesting that the UK still provides a strong attraction as an international manufacturing base.

The sharpest increase in exports was reported by Peugeot Talbot which entered the table for the first time at position 72 with a 188.4 per cent increase to £134.4m.

The sharpest decline was reported by Mobil Oil which fell from 30th place to 89th with a 65.96 per cent fall to £96m.

Apart from clear evidence of a decline in exports by oil companies, the table offers few sectoral indications.

Large declines in exports were reported by a number of traditionally significant exporters such as Plessey (down 30.92 per cent to £120.2m) and NEI (down 37.2 per cent to £130m).

John Brown managed a significant 72.48 per cent gain to £168m, STC a 73.09 per cent advance to £431m, while GEC just advanced on the previous year with a 1.95 per cent gain to £1.26bn.

Nestlé Holdings entered the table for the first time in 78th place with exports of £118m, following its takeover of Rowntree which is no longer listed separately.

Taken as a group, the top 100 exporters accounted for total exports of £39.45bn last year, an increase of 5.17 per cent on 1987. Their share of total UK exports thus increased slightly to 48.54 per cent from 46.86.

Though this figure has to be regarded as approximate because not all the companies concerned close their accounts on December 31, it illustrates a trend which suggests that UK exports remain concentrated in large companies and the share of the supposedly dynamic small and medium-sized businesses has failed to grow.

Just over half the the total exports of the top 100 firms were generated by companies in the top 10 positions in the list. Last in the table was Cadbury Schweppes, whose exports of £74.8m were just 17 per cent of the total recorded by the winner, British Aerospace.

TOP 100 EXPORTERS - 1988

Ranking 1988	Ranking 1987	Company	Exports 1988 (£m)	% of UK t/o	Exports 1987 (£m)	% of UK t/o	% change 87/88	Exports as % of 1988 o/s t/o	UK employees 1988 (No.)	% change 87/88
1	3	British Aerospace	4,389.0	57.1	2,501.0	68.7	56.69	100.00	122,450	43.43
2	1	ICI	3,031.0	53.2	2,927.0	52.0	3.55	50.47	54,800	-1.79
3	2	BP	2,283.0	21.6	2,647.0	24.4	-19.81	14.85	28,950	0.87
4	5	IBM UK Holdings	2,144.0	55.3	1,837.0	52.7	16.71	100.00	18,686	0.32
5	4	Shell UK	1,727.0	46.7	2,389.0	48.2	-27.71	100.00	13,022	-3.65
6	7	Ford UK	1,471.0	33.7	1,254.0	32.5	17.30	93.69	45,800	1.33
7	9	Rolls-Royce	1,412.0	74.3	1,434.0	72.5	-1.53	95.12	37,800	-2.63
8	8	British Steel	1,341.0	29.2	1,162.0	29.6	15.40	80.86	53,400	3.48
9	6	GEC	1,236.0	28.3	1,232.0	29.7	1.95	38.45	113,603	-4.10
10	10	Esso UK	725.0	28.8	1,062.5	33.0	-31.73	100.00	4,530	-6.40
11	14	Johnson Matthey	724.7	72.0	621.1	74.3	16.68	63.10	3,600	5.19
12	13	Jaguar Cars	704.0	73.9	710.0	73.6	-0.85	91.89	12,500	2.46
13	15	Guinness	641.3	41.0	580.3	42.1	10.51	35.89	11,543	-49.19
14	23	Lucas	598.0	56.1	600.0	62.89	-0.33	38.33	36,758	-14.25
15	19	Texaco	573.0	25.4	429.0	18.9	30.52	80.93	2,830	-1.01
16	18	Courtaulds	494.0	31.4	479.0	30.4	3.13	32.22	42,000	-8.70
17	21	Glaxo	485.0	63.6	395.0	62.9	22.78	37.39	11,035	1.55
18	17	BAT Industries	449.0	27.8	470.0	31.2	-4.47	4.54	31,858	5.23
19	20	Varity Holdings	438.2	62.0	416.1	67.1	5.31	100.00	6,485	-7.55
20	35	STC	431.0	26.4	249.0	16.5	73.09	59.53	28,050	-2.94
21	16	Unilever	428.0	12.4	446.0	13.6	-4.04	14.61	38,000	-13.64
21	22	Kodak	420.8	52.6	382.0	52.1	9.98	100.00	7,938	4.00
22	42	Inco Europe	391.2	58.6	220.9	55.9	77.09	N/A	3,562	-5.67
23	28	Rank Xerox	362.0	37.8	284.5	40.4	27.24	27.08	7,500	4.17
24	26	Conoco	343.0	40.8	306.0	35.2	12.09	100.00	1,492	1.22
26	33	Exxon Chemical	334.0	55.6	253.8	49.9	31.60	46.55	1,522	11.75
27	23	Hawker Siddeley	327.0	33.6	340.0	36.9	-3.82	36.58	23,000	-1.29
28	29	Ciba-Geigy	304.0	40.6	283.4	40.9	7.27	100.00	7,110	-0.84
29	25	Philips Electronics	285.0	26.1	321.0	23.5	-11.21	100.00	19,183	-7.30
30	27	Tenneco Europe	270.0	43.7	298.5	46.9	-9.55	100.00	7,544	-14.53
31	32	BTR	266.7	12.9	258.3	12.6	3.25	7.27	42,948	1.29
32	39	De La Rue	261.1	76.6	229.7	79.7	13.67	58.16	5,266	8.42
33	38	Wellcome	257.5	66.6	231.6	66.8	11.16	29.77	8,764	2.56
34	40	T & N	257.0	47.3	224.0	47.6	14.73	34.22	17,316	6.66
35	43	Rothmans International	243.0	72.3	220.0	65.7	10.45	20.07	3,192	-31.91
36	31	Racal Electronics	238.8	24.5	264.1	30.0	-9.58	27.82	19,143	0.50
37	41	Allied Lyons	236.0	6.0	221.1	8.8	6.74	15.44	65,316	4.97
38	34	Vickers	229.5	46.5	232.1	48.8	-1.12	49.48	11,348	-6.97
39	46	English China Clays	223.0	32.3	200.0	34.7	11.50	47.52	11,117	2.81
40	56	Brit.Alcan Aluminium	219.9	29.8	180.8	28.3	21.63	84.35	10,643	2.14
41	50	J.C.Bamford	218.4	58.0	191.7	64.6	13.93	100.00	1,782	23.49
42	47	Thorn EMI	210.3	11.8	203.0	10.6	3.60	13.83	43,384	-7.34
43	36	Beecham Group	206.3	32.6	235.9	34.3	-12.55	12.20	11,400	0.58
44	–	Untd.Eng.Steels	201.2	41.5	170.9	42.1	17.73	100.00	10,240	0.92
45	53	Grand Metropolitan	197.4	5.1	183.2	5.1	7.75	9.00	69,510	-16.55
46	53	Davy	195.9	38.5	183.2	46.9	6.93	47.41	6,803	22.90
47	58	Seagram Distillers	189.7	49.4	172.4	45.9	10.03	64.72	2,355	13.05
48	62	Cummins UK	187.6	53.5	158.0	53.9	18.73	94.08	4,701	0.11
49	45	BICC	184.0	11.0	217.0	13.6	-15.21	14.31	23,473	-9.91
50	51	Hanson Trust	183.0	4.4	188.0	4.1	-2.66	5.72	40,000	-20.00
51	59	Rio Tinto Zinc	180.0	13.1	171.6	11.6	4.90	4.92	18,646	-1.22
52	44	Caterpillar UK	176.8	79.1	217.1	86.7	-18.56	100.00	1,160	-45.21
53	37	Gulf Oil	173.6	61.2	234.5	40.9	-24.78	100.00	803	-19.60
54	81	Ferranti International	173.3	23.8	167.3	23.2	3.95	34.91	17,271	-14.79
55	47	Pearson	171.0	35.4	143.0	24.7	19.58	24.02	17,438	1.58
56	63	British Nuclear Fuels	169.0	18.4	152.0	19.2	11.18	100.00	16,169	-4.55
57	88	John Brown	168.0	62.7	97.4	46.3	72.48	90.81	3,061	-29.84
58	76	IMI	164.0	26.5	120.0	26.6	36.67	36.81	13,946	-4.39
59	65	Monsanto	161.9	51.8	147.9	51.0	9.47	51.59	2,820	-6.93
60	90	Amersham International	159.2	88.4	96.6	83.1	64.80	100.00	2,215	0.23
61	64	Associated Octel	158.4	78.6	151.0	60.2	4.90	85.59	2,281	-0.89
62	61	Du Pont	158.0	32.3	108.0	26.5	46.30	100.00	2,500	-1.96
63	55	FKI Babcock	158.0	29.2	181.4	22.9	-12.90	20.72	17,474	-16.14
64	71	Hewlett Packard	156.5	21.9	137.1	32.0	14.15	100.00	3,825	5.00
65	58	Michelin Tyre	153.9	23.7	141.4	23.7	7.43	57.98	12,086	3.94
66	49	APV	147.7	61.0	178.6	60.0	-18.53	28.16	5,714	-8.97
67	75	Dowty	141.2	29.5	120.2	26.0	17.47	68.84	10,949	-13.79
68	78	Pirelli UK	140.9	40.4	118.6	38.5	18.80	96.16	7,339	1.02
69	80	Westland Group	140.6	41.3	167.7	31.1	-16.04	91.48	8,767	12.14
70	69	Smiths Industries	140.0	44.0	137.9	45.5	1.82	28.98	8,700	2.30
71	72	Coats Viyella	136.2	12.4	134.2	12.7	1.49	15.30	41,331	-0.51
72	–	Peguot Talbot	134.4	11.9	46.6	6.3	188.41	100.00	8,170	19.98
73	66	Reed International	131.0	12.5	145.0	10.5	-9.66	22.55	11,300	-47.44
74	46	NEI	130.0	32.9	207.0	35.8	-37.20	39.61	15,238	-4.67
75	–	BASF UK	127.0	19.4	126.0	22.9	0.79	100.00	2,425	0.54
76	74	Marks & Spencer	125.4	2.8	126.1	3.0	-0.56	16.64	40,003	0.31
77	57	Plessey	120.2	9.4	174.0	15.2	-30.92	31.43	15,000	-35.83
78	–	Nestle Holdings (UK)	118.0	9.6	66.6	7.6	76.68	100.00	16,545	74.43
79	87	Goodyear Tyre & Rubber	111.0	32.0	98.6	30.7	12.58	100.00	5,935	-1.08
80	70	Short Brothers	110.7	57.7	137.5	61.0	-19.49	100.00	7,700	-11.49
81	80	Schering Holdings	107.6	49.0	111.0	51.8	-2.90	49.00	2,045	1.30
82	–	Allied Colloids	105.1	75.1	101.3	76.7	3.75	71.08	1,831	13.11
83	84	Cookson Group	104.4	21.6	104.6	27.8	-0.16	9.72	7,324	3.21
84	83	Pilkington Brothers	99.6	16.1	98.5	18.0	1.12	5.46	13,500	-3.68
85	91	Dawson International	99.4	86.4	93.8	75.8	5.97	41.98	6,600	-4.79
86	96	Fisons	97.6	38.7	89.3	38.7	9.29	17.07	4,292	0.35
87	81	Polaroid	97.0	71.3	108.0	73.0	-10.16	100.00	1,449	-12.71
87	95	Portals	97.0	54.3	90.3	57.6	7.42	100.00	3,490	14.39
89	30	Mobil Oil	96.0	9.5	282.0	20.6	-65.96	100.00	3,130	60.84
90	94	Boots	95.6	4.1	90.9	4.2	5.29	25.07	64,220	-1.51
91	78	Ingersoll Rand	94.5	60.0	118.6	68.9	-20.32	100.00	2,728	-20.05
92	97	Cyanamid UK	94.2	57.0	88.1	57.0	6.92	100.00	2,420	23.85
93	100	Delta	93.1	16.7	79.5	23.0	17.11	37.18	10,575	1.20
94	85	GKN	93.0	11.3	104.0	14.6	-10.58	8.00	17,600	-8.33
95	86	Lilly Industries	86.8	58.9	99.8	57.2	-13.03	100.00	2,175	-19.11
96	92	Simon Engineering	86.2	28.6	92.5	25.0	-6.81	29.59	6,329	-2.81
97	–	Gallaher	83.3	2.3	68.4	4.5	21.78	17.73	27,836	-1.42
98	–	DRG	80.4	17.0	70.9	16.0	13.40	26.79	9,189	-1.60
99	89	Roche Products	75.0	48.4	82.2	52.6	-8.78	100.00	1,758	-2.60
100	98	Cadbury Schweppes	74.8	7.1	83.1	8.4	-9.99	5.62	12,126	-3.91

Rank

1 British Aerospace : includes full year of Rover Group figures. Exports for British Aerospace & 5 months of Rover Group ammounted to £3,481m; 61.7% of UK t/o.
2 ICI : T/o in UK based on location of customers is £2,705m in 1988 (£2,732m in 1987).Y/e 31.12.88.
3 BP : includes BRITOIL exports, taken over by BP duoring the year. Y/e 31.12.88.
4 IBM UK Holdings : £1,898m in 1988 (£1,837m in 1987) were exported goods (Grenock & Havant) and £246m (£241m) were exported services (Hursley & UK international centres). Y/e 31.12.88.
6 Ford UK : y/e 31.12.88.
7 Rolls-Royce : includes £272m in 1988 (£286m in 1987) indirect exports, which were omitted from 1987 table. Y/e 31.12.88.
8 British Steel : y/e March 1989.
9 GEC : 1987 table up to y/e 31.3.87;figures for y/e 31.3.89 include 50% being the GEC share of the jpoint venture company GEC Plessey Telecomunications Holdings.
10 Esso UK : y/e 31.12.88.
11 Johnson Matthey : includes £226.4m exports to overseas subsidiaries. Y/e 31.3.89.
12 Jaguar Cars : UK t/o £953.2m,total t/o £1,075.5m
13 Guiness : 1987 figures restated to include intercompany exports. The large difference in Employment figures due to the disposal of Martin Retail Group. Y/e 31.12.88.1988 exports are estimated.
14 Lucas : includes £260m in 1988 (£260m in 1987) indirect exports; when direct & indirect exports are aggregated with sales of overseas subsidiary companies approx. 78% of sales are overseas.Y/e 31.7.88.
15 Texaco : y/e 31.12.88.
16 Courtaulds . y/e 31.3.89.
17 Glaxo : y/e 30.6.89.
18 BAT Industries : y/e 31.12.88. O/s t/o relates to BAT and ites cosolidated subsidiaries.
19 Varity Holdings : y/e 31.1.89.
20 STC : y/e 31.12.88.
21 Unilever : Company does not publish no. of UK employees. Employment figures relate to Europe as a whole. Exports include internal t/o which represents sales between different product groups.Y/e 31.12.88.
22 Kodak . y/e 25.12.88. Includes in UK t/o operating lease rentals of £27.7m in 1988(£25.1m in 1987).
23 INCO Europe : t/o represents total t/o; o/s t/o not available. y/e 31.12.88.
24 Rank Xerox : y/e 31.10.88.
25 Conoco : y/e 31.12.88.
26 Exxon Chemical : y/e 31.12.88
27 Hawker Siddeley : y/e 31.12.88.
28 CIBA-GEIGY : 1988 figures include the conytribution of the Ilford Group, since sold to the International Paper. The relevant figures excluding Ilford Group are : Exports £255m % of UK t/o 41.8.UK employees 5,628. y/e 31.12.88.
29 Philips : includes Philips UK Group and Philips Medical Systems UK. y/e 31.12.88.
30 Tenneco : includes £184.9m in 1988 (£197.9min 1987) of indirect exports in respect of Albright & Wilson and JI Case. The acquisition of Sperry Marine reflects in 1988 figures. Tenneco UK (oil exploration sub.) was part of worldwide sale of oil activities during 1988. y/e 31.12.88.
32 De La Rue : UK t/o excludes inter-group sales within UK. Total UK employment at 31.3.89 3,587. y/e 31.3.89.
34 T & N includes £52m in 1988 (£41m in 1987) exports to overseas subsidiaries. y/e 31.12.88.
35 Rothmans International : y/e 31.3.89. Value of o/s t/o £285m.
36 Racal Electronics : y/e 31.3.89.
37 Allied Lyons : exports of durable goods at duty free prices included £184m in 1988/9 (£162m in 1987/8) would have sold approx. £795m (789m) at UK duty paid prices. This indicates that exports represented some 23%(24%) of the total sales of the UK based companies. Y/e 4.3.89.
38 Vickers : includes £48.8m in 1988 (£52m in 1987) of intercompany exports.
40 British Alcan Aluminium y/e 31.12.88.
41 J.C.Bamford : y/e 31.12.88.
42 Thorn EMI . y/e 31.3.89.
43 Beecham Group : y/e 31.3.89; includes £177.7m intra-group sales. Since merged with Smithkline of USA to became Smithkline Beecham.
44 United Engineering Steels : y/e 31.12.88.
45 Grand Metropolitan : y/e 30.9.88; UK employees include 53,331 full-time and 16,179 part-time.
46 Davy : y/e 31.3.89.
47 Seagram Distillers . y/e 31.1.89.
48 Cummins UK y/e 31.12.88
49 BICC y/e 31.12.88.
50 Hanson : y/e 30.9.88.
51 RTZ : y/e 31.12.88.
52 Caterpillar UK : Reduced sales & % totals due to the Glasgow plant closure.
54 Ferranti International : y/e 31.3.89.
55 Pearson : y/e 31.12.88.
56 British Nuclear Fuels . y/e 31.3.89.
57 John Brown : y/e 30.9.1988.
58 IMI . data for period Jan.-Dec. 1988.
59 Monsanto . y/e 31.12.88.
60 Amersham International : y/e 31.3.89. Almost all sales are manufactured in UK. Overseas manufacture is negligible.
61 Associated Octel : 1987 figures restated by the company.
66 APV : 1987 figures provided by the company. Y/e 31.12.88.
67 Dowty : y/e 31.3.89. 1987 figures restated by the company.
69 Westland : y/e 30.9.88.UK t/o excludes £34.6m in 1988 (£19.9m in 1987) of inter-group transactions. O/s t/o excludes £4.8m(£6.1m) inter-group transactions.
70 Smiths Industries : y/e 30.7.88.
71 Coats Viyella : y/e 31.12.88; includes £22.0m in 1988 (£24.2m in 1987) intra-group exports.
72 Peugeot Talbot : y/e 31.12.88.
73 Reed International : UK t/o on country of origin basis. On UK by geographical market basis UK t/o is £948m (£1,285m). Y/e 31.3.89.
74 NEI : y/e 31.12.88.
75 BASF UK : declined to supply figures last year. Excludes oil trading business.
76 Marks & Spencer : y/e 31.3.89.
77 Plessey : y/e 31.3.88.
78 Nestle UK : y/e 31.12.88; Rowntree exports consolidated into Nestle from 25.6.88. Rowntree's exports in 1988 were £83.1m The Nestle UK exports were £66.6m The consolidated results understate export performance of whole group for 1988.
80 Short Brothers : y/e 31.3.89; acquired by Bombardier Inc of Montreal. Results for y/e 31.3.89 not available.
81 Schering Holdings : y/e 31.12.88.
82 Allied Colloids : y/e 31.3.89.
83 Cookson Group : y/e 31.12.88; includes £38m to related companies; UK employment includes 1,116 in related companies.
84 Pilkington : y/e 31.3.89. Last year's table y/e 31.3.87. % change of exports 87/8 was -5.6%.
85 Dawson International : y/e 31.3.89.
86 Fisons : y/e 31.12.88.
89 Mobil Oil : t/o excludes duty & sales taxes.
90 Boots : y/e March 89.
91 Ingersoll Rand : y/e 31.12.88; part of business separated into joint venture, the results of which are no longer consolidated.
92 Cyanamid UK : y/e 30.11.88.
93 Delta : y/e 31.12.88; the actual no. of UK employees at 31.12.88 was 10,600.
98 DRG : y/e 31.12.88; actual no. of UK employees at 31.12.88 was 8,874.

Research by Jas Sehling, Editorial Research

Teachers given pay bill rise worth 7.6%

By David Thomas, Education Correspondent

THE Government yesterday bowed to public pressure on the problem of low teacher morale and staff shortages by allocating £600m for pay increases to 400,000 teachers in England and Wales next year, equivalent to 7.6 per cent on their pay bill.

Mr John MacGregor, Education Secretary, has earmarked part of the overall sum to deal with the growing problem of teacher shortages in certain subjects, such as maths and science, and in particular areas, notably inner London.

The Education Secretary emphasised that the inflation rate was down to 7.3 per cent and falling, suggesting that the teachers' settlement could be significantly above inflation by next April, when it falls due.

This is likely to be taken as a signal by a wide range of public sector unions to press for high pay increases next year.

Mr MacGregor announced the cash limit of £600m when he published the remit for the official committee which will advise him on the 1990-91 teachers' settlement. The announcement drew a hostile response from the main teaching unions.

He told his advisory committee that he wanted to increase the value and number of discretionary incentive payments. These will be used to channel higher increases to teachers in shortage subjects and to teachers who demonstrate excellence in the school classroom.

The advisory committee has also been asked to report on how to tackle shortages in certain localities and on whether heads and deputies should get differentially large increases.

Mr MacGregor stressed in his letter to Lord Chilver, chairman of the advisory committee, "the Government's view that flexible pay systems which allow the targeting of additional payments to meet specific needs are the most cost effective way of addressing any problem of recruitment and retention."

However, the unions reacted angrily, arguing that the cash limit would not reverse the long-term erosion in teachers' pay relative to other workers. They also criticised the Government for planning to award lower increases to teachers than those won by railway workers and town hall staff this summer through industrial action.

Both the National Union of Teachers and the NAS/UWT, the two main TUC-affiliated teachers' unions, predicted demands from their members for industrial action, although they stopped short of announcing industrial action ballots.

Classroom teachers at present are paid from £8,394 to £14,694, with the chance to earn additional incentive payments of £858 to £4,710. The pay of head teachers ranges from £17,370 to £34,179.

Nurses seek 12% rise

NURSING unions yesterday launched a 12 per cent pay claim for National Health Service nursing staff, which would raise the minimum annual pay for those on the clinical grading structure to £6,005, writes *John Gapper*.

The claim to the nursing staff pay review body was backed by survey evidence which was said to show that local pay variations were ineffective – because nurses with spouses and family responsibilities were unwilling to move between regions.

Nursing union leaders said that the Department of Health's 1988 guidance on how to place individuals on the new grading structure had required broad changes to the first three grades on the structure.

Staff nurses called for a 12 per cent increase in the grading structure to keep it in line with the rise in average earnings and make up for the fact that last year's award had fallen below inflation.

Reaction split on terms for power sell-off

By Maurice Samuelson

REACTION was divided yesterday to the decision by Mr John Wakeham, the Energy Secretary, about terms for privatising the electricity industry, which were agreed late on Monday night and will be debated by a Cabinet committee tomorrow.

Mr Wakeham accepted the plea of the 12 distribution and two generator companies that the industry must be protected from competition for a period after privatisation.

The Association of Independent Electricity Producers said it was "absolutely appalled" that only 15 per cent of the market would be open to competition in the four years after vesting day, rising to 25 per cent in the next four years.

Under pressure from the generating companies and area boards of England and Wales, Mr Wakeham has also dropped the proposal that power contracts between generators and distribution companies should last three to five years, in favour of medium term contracts of at least eight years.

The area boards will also retain the franchise on all their customers up to 1 MegaWatt in the first four years, and all those up to 100 kilowatts in the second four years.

"In some ways, the proposals are worse than the abortive 1983 Energy Act, which gave us the opportunity to supply power to industrial sites subject to being able to use the public distribution system", said Mr David Porter, a member of the association.

The association yesterday met Professor Stephen Littlechild, the electricity industry's recently appointed regulator, to complain that the proposals seemed to conflict with the principles embodied in the 1989 Electricity Act and the Government's pledge of full and fair competition.

It expressed the hope that Mr Nicholas Ridley, Trade and Industry Secretary, would reject Mr Wakeham's compromise in favour of greater prospects for early competition.

The Major Energy Users' Council, the 90 members of which include big consumers such as Blue Circle cement, GKN, Bass and British Bakeries, also said new producers would have difficulty entering the market.

Mr Charles Ryder, the council's chairman, said heavy industry faced high prices in the short term as a result of privatisation, and complained that there had been "so little consultation" with industry.

Government extends toxic waste powers

By John Hunt, Environment Correspondent

GREATER powers to control the import of toxic and other waste and a stricter system to ensure proper local authority supervision of waste disposal were announced last night by the Government.

The proposals will be incorporated in the "green" bill in the next session of Parliament. They follow criticism of the import of hazardous waste into the UK and of the failure by some local waste disposal authorities to perform their duties efficiently.

There will also be powers for the Pollution Inspectorate to take charge if district councils fail to control industrial plant pollution.

Councils will be obliged to keep registers, open to the public, giving details of their pollution control measures.

Thatcher fails on green promises, Page 10

Health service spending 'will not go on patients'

By John Mason

THE Government's proposed health service reforms will cost almost £300m to implement, with none of the money being spent on extra patient care, Mr Robin Cook, the opposition Labour Party health spokesman said yesterday.

Plans to create self-governing hospitals and give general practitioners budgets would waste money, divert effort and create bureaucracy and more inefficiency, he said.

A Labour study says the extra spending includes:

- Employing an extra 1,000 accountants, costing £25m.
- £8m on extra civil servants.
- £200m on computer equipment to cost contracts for self-governing hospitals.
- £40m on tax relief for private medicine.
- £12m to carry out an inventory of hospitals and all equipment worth more than £1,000.
- £9m on public relations and advertising.

Mr Cook said spending would not add a penny to extra patient care.

Tight spending hits jobs in housing, appliance sectors

By Christopher Parkes, Consumer Industries Editor

THE UK electrical goods industry is to shed several hundred more jobs as the consumer spending squeeze tightens its grip on the housing and appliances markets.

MK Electric, the plug, socket and electrical accessories specialist, yesterday announced 392 redundancies in London and the south east – almost 12 per cent of its workforce. This morning, South Wales and Scotland are expected to be hit when Hoover, the kitchen appliance and vacuum cleaner maker, unveils its restructuring plan.

MK, part of the RTZ mining and industrial conglomerate, blamed the slump in the housing market, caused by high interest rates, for the loss of 217 job losses at its head office and factory in Edmonton, north London. The Basildon factory in Essex will shed 78 workers, a further 61 jobs will go at Southend, Essex, and 36 at Hastings, Sussex.

Mr Brian Edwards, personnel director, said the cuts were needed to "balance output against customer demand."

Hoover, owned by Maytag, the US appliance maker, has already laid off more than 450 so far this year, including 250 temporary workers sent home during the winter. It announced 207 further redundancies last month and warned that more would follow an operational review.

Union officials, who have been summoned to a meeting with management today, said yesterday they thought the workforce of almost 1,800 at Merthyr Tydfil, near Cardiff, might be cut by 500. The factory at Cambuslang, near Glasgow, which makes vacuum cleaners for the UK and export markets, employs around 1,400.

Mr Tony Williamson, managing director, would give no details until the workforce had been informed.

UK sales of kitchen appliances, such as the washing machines and dishwashers made in the Welsh plant, are more than 10 per cent lower than this time last year, and still declining. Sales of British-made products have also been depressed by sales of cheaper Italian and Spanish imports, which have benefited from the relative strength of sterling.

Trade in vacuum cleaners has not been so badly affected, but competition among manufacturers has been fierce and margins have fallen.

UK NEWS

Economy bubbles along on buoyant consumption

Simon Holberton looks at the British figures giving economists and the pound little cause for comfort

THE WRY comment around London yesterday was that you cannot keep a good economy down.

Another huge monthly current account deficit, indicating still buoyant consumption, ended a month's run of indicators for the UK which showed that the economy was far from sliding into recession.

To some, this is no more than *déjà vu* – it seems as if the economy has always been that bit stronger than many people had thought. More than that, some analysts are now saying that the UK is learning to live with high interest rates; that they no longer represent a drag on the behaviour of companies or individuals.

In time, that may prove to be an exaggeration, but some of the recent indicators of activity in the UK give little cause for comfort.

● It is unclear whether or not spending in the economy has fallen to a rate consistent with the Government's plans. Consumer spending rose by 1.5 per cent in the April to June quarter of the year – *half* the rise for the year hoped for by the Treasury at the time of the March Budget.

Retail sales, which account for about 40 per cent of consumers spending, were up by 1 per cent in the year to August. The Treasury's chosen indicator of nominal activity in the economy, M0, a narrow measure of the money supply which includes mostly notes and coins in circulation, was 6 per cent higher in August than *a year ago. Bank and building* society lending continues to grow by large amounts.

The behaviour of the consumer is seen by City of London economists to represent one of the main risks for the future. On October 5 the Budget cuts in National Insurance contributions will begin to feed through into pay packets. The cost for this year is nearly £1bn ($1.62bn) and in a full year £2.8bn, or equal to 2p off the basic rate of tax and 1 per cent of disposable income.

At Budget time it looked as though this delayed tax cut was a piece of inspired tinkering with the economy which, it was forecast, would have begun slowing sharply. The tax cut would be a touch on the accelerator; now it looks like a touch too much.

● The labour market appears uncomfortably tight, *from the point of view of the* Government's inflation objectives. In August, unemployment fell by 36,000. This was taken to mean wage rates would continue to rise.

● Output also continues to grow strongly. Manufacturing production is now estimated to be growing by an underlying rate of growth of between 4 per cent and 4.5 per cent. This is well *down on the heady growth* rates of 7 per cent a year ago, but still historically high.

● The trade account offers little encouragement for those looking for signs of Government success in curbing the growth rate of the economy. Imports are still growing, although, in terms of the growth rate, it appears as if exports might be catching up. Nevertheless, at the current rate, the current account deficit could by more than £20bn *this* year.

The Treasury has again stressed that the current account would be the last of the UK's economic indicators to show improvement. It would improve in due course from the combined effects of slower domestic growth (reducing imports) and increased capacity (and hence exports) coming on stream following the recent *surge in investment.*

The Treasury line yesterday was that interest rates at 14 per cent were working to slow the economy. The housing market was at a standstill and retail sales were barely growing. It also pointed to surveys of business optimism which indicate that businessmen's expectations have been jolted.

Despite that, there was much talk yesterday about another rise in bank base rates from current levels of 14 per cent to 15 per cent. The Bank of England resisted raising interest rates and Mr Nigel Lawson, the Chancellor, speaking from Washington declined to respond to suggestions that they would have to rise again.

Ever since the Government began to tighten monetary policy last summer, sterling has been a key determinant of the Treasury's interest rate policy. *The* November and May rises were designed to stall an inflationary fall in the pound.

It seems likely that sterling will again dictate whether interest rates need to rise. As the Chancellor noted, the foreign exchange markets reacted relatively calmly to yesterday's news of the August current account deficit.

Looking ahead, a crucial test for sterling will come if and when West German interest rates rise again. It may come sooner than Mr Lawson would like. The Bundesbank, West Germany's central bank, is expected to increase interest rates in the near future, possibly next week.

Growth, inflation 'to slow'

By Patrick Harverson

GROWTH in consumer expenditure will slow and the rate of inflation will fall next year as the Government's high interest rate policy takes further effect, according to a compilation of City of London, academic and independent forecasts published yesterday by the Treasury.

The survey also predicts a slowdown in the growth of gross fixed investment, which includes spending on plant and machinery, and a rise in the number of people out of work.

The survey is compiled from 22 *forecasts* for the economy, *including predictions from the* Confederation of British Industry, the employers' organisation, several universities, City of London banks and securities houses. Most of the forecasts were made in August, some date as far back as April while a few are as recent as this month.

Consumer spending is expected to rise by only 1.8 per cent in1990, compared with 3.4 per cent this year and more than 6 per cent last year.

As the Government hopes, the *slowdown in high street* spending created by the higher cost of borrowing is expected to reduce inflation from 6.8 per cent this year to around 5.2 per cent in 1990. Last year's annual reate of consumer price inflation was 6.5 per cent.

High interest rates are also expected to take their toll on gross fixed investment, which is expected to increase by only 1.6 per cent in 1990, against growth of more than 6 per cent this year. Some forecasters, such as the National Institute and UBS Phillips & Drew, the stockbroker, believe investment will actually show a net fall in 1990.

Unemployment is predicted to rise by over 0.5m to about 1.82m next year, although some City institutions are *more pessimistic and say the* number out of work could reach nearer 2m by the end of 1990.

For overseas trade, yesterday's larger than expected current account deficit will mean the 22 forecasts are likely to have understimated the final size of the trade gap this year. Next year they expect the deficit to be about £13.6bn.

Hoover cutbacks, Page 7

New car imports remain high

By Kevin Done, Motor Industry Correspondent

THE BRITISH motor industry trade deficit rose by 14 per cent in the first half of this year to a record £3.42bn with continuing high import penetration of the market for new cars, but the rate of growth in the deficit has slowed.

The second quarter deficit was £1.79bn, 6 per cent higher than a year ago compared with *the 25 per cent increase in the* first quarter deficit to £1.65bn.

The level of imports has remained high as a result of the continued strength of the UK vehicle market. Both new car and commercial vehicle registrations have climbed to records in the first eight months of the year.

Last year the motor industry trade deficit jumped by 53 per cent to a record £6.11bn and accounted alone for 30 per cent of last year's total UK visible trade deficit of £20.34bn.

The Society of Motor Manufacturers and Traders (SMMT) said the deficit for the whole of 1989 was expected to exceed last year's. Even if there were a dramatic improvement in the second half with no further *deterioration* in *the industry's* trade balance, the deficit for the full year would still total £6.6bn.

According to figures released by the SMMT the growth of the deficit slowed in the in the second quarter because the value of exports rose by 24 per cent, while the value of imports increased by only 16 per cent compared with the corresponding period a year ago.

The value of car exports jumped by 41 per cent in the second quarter and by 32 per cent in the first six months to £1.26bn. The main contribution has come from a big increase in the volume of exports by Peugeot Talbot, the UK subsidiary of Peugeot of France, which *is now exclusively* assembling the 405 range at its Ryton Coventry plant.

Nissan also made a significant contribution. It began exporting cars to continental European markets from its Sunderland assembly plant last October. The value of Rover Group exports has also risen thanks to a more profitable product mix with higher exports of its Rover 800 executive car and Range Rover ranges.

The value of car imports rose by 14 per cent in the first half of the year to £3.81bn thanks to *the continuing strength of* demand in the new car market, where registrations are set to reach a record level for the fifth successive year.

The main increase in car imports is from so-called tied imports by car makers which also have UK assembly operations, Ford, General Motors (Vauxhall) and Peugeot.

SMMT says the sales volume of tied imports rose by 15 per cent in the first six months, increasing their market share to 20.5 per cent from 19.4 per cent a year ago, while the volume of so-called independent car imports rose by 7 per cent, less than the increase in the overall market.

The SMMT said that the UK *automotive components industry* had continued its strong export performance in the second quarter. The value of components exports rose by 22 per cent in the first half of the year to £1.96bn, but the value of imported components showed a similar jump to £2.57bn.

The SMMT said that as UK vehicle manufacturers increased output the bill for imported original equipment, parts and accessories would rise.

UK MOTOR TRADE (£M)
January – June

	1989	1988
Exports		
Cars	1,257	948
Comm. vehicles	290	222
Parts and accessories	1,902	1,637
Others*	602	566
Imports		
Cars	3,810	3,333
Comm. vehicles	840	619
Parts and accessories	2,473	2,108
Others*	345	293
Trade balance		
Cars	−2,553	−2,385
Comm. vehicles	−550	−397
Parts and accessories	−571	−471
Others*	257	275
Total balance	−3,418	−2,977

*Others includes agricultural tractors, dumpers, trailers, caravans, industrial works trucks and freight containers.

Source: Society of Motor Manufacturers and Traders and Customs and Excise

COMPANY NOTICES

NEW KLEINFONTEIN PROPERTIES LIMITED

(Incorporated in South Africa)
Reg. No. 01/00854/06

* Operating Income up 69%
* Earnings per share up 49%
* Dividend up 39%

PROFIT ANNOUNCEMENT

FINANCIAL
The audited results of the Group's operations for the year ended 30 June 1989 are as follows:

INCOME STATEMENTS	30 June 1989 R000	30 June 1988 R000
Turnover	5 021	3 791
Operating income	3 670	2 167
Taxation	1 671	800
Net income attributable to shareholders	1 999	1 367
Net loss attributable to outside shareholders	43	9
	2 042	1 376
Earnings per share (cents)	101.6	68.4
Dividends per share (cents)	39.0	28.0
Dividend cover (times)	2.6	2.4

DECLARATION OF FINAL DIVIDEND

NOTICE IS HEREBY GIVEN that dividend No.91 (Final) of 27 cents per share (1988 - 18 cents) for the year ended 30 June 1989, has been declared payable to holders of ordinary shares registered in the books of the company at the close of business on 13 October 1989, and to persons presenting coupon No. 191 detached from Share Warrants to Bearer.
Warrants in payment will be posted on or about 1 November 1989.
Non-resident shareholders' tax at the rate of 15% will be deducted where applicable.
The conditions applicable to this dividend can be inspected at the Johannesburg and London offices of the company.

ENCASHMENT OF COUPON NO. 191

The dividend on shares included in Share Warrants to Bearer will be payable on or after 3 November 1989 to the persons presenting Coupon No. 191 at the London office, 36 Princes Gate Mews, London SW7 2PR or at the office of Credit du Nord, 6-8 Boulevard Haussmann, 75009 Paris. Coupons presented at the London office will be subject to deduction of United Kingdom Income Tax unless accompanied by Inland Revenue declarations.

NOTICE OF NINETY-THIRD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ninety-third annual general meeting of members will be held in the board room, 2nd Floor, AFC House, 25 Wellington Road, Parktown, on Tuesday, 31 October 1989, at 09h00.

BY ORDER OF THE BOARD
J. W. Mackenzie — Chairman
G. Fischer — Managing Director

Registered Office:
25 Wellington Road,
PARKTOWN 2193

London Office:
36 Princes Gate Mews,
SW7 2PR

Transfer Secretaries:
Central Registrars Ltd.
154 Market Street, Johannesburg.

31 August 1989.

Johannesburg Consolidated Investment Company, Limited

(Incorporated in the Republic of South Africa)
Registration No. 01/00429/06

Abridged notice of annual general meeting

The annual general meeting of ordinary shareholders of Johannesburg Consolidated Investment Company, Limited will be held in the board room, Consolidated Building, corner Fox and Harrison Streets, Johannesburg on Wednesday, 25 October 1989 at 12 noon.

In addition to the ordinary business of the meeting, special business pertaining to a proposed twenty-for-one subdivision of the Company's ordinary shares of a nominal value of R2 each, and to the placing of the unissued ordinary shares under the control of the directors, as set out in the notice to members, will be conducted at the annual general meeting.

The transfer books and register of members of the Company will be closed from 19 to 25 October 1989 both days inclusive.

Any member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and speak and, on a poll, to vote in his stead. A proxy need not be a member of the Company. For the convenience of registered members of the Company, a form of proxy will accompany the annual report. Proxy forms must be deposited at the registered office fo the Company not less than 24 hours before the time appointed for the holding of the meeting, or at the offices of Barclays Registrars Limited not less than 48 hours before the time appointed for the holding of the meeting.

Holders of share warrants to bearer who wish to attend in person or by proxy and vote at the meeting are required to comply with the regulations of the Company relating to share warrants. Copies of the regulations are available on application.

By order of the Board
M.J. Meyer
Secretary

Registered Office:
Consolidated Building
cor. Fox and Harrison Streets
Johannesburg 2001
Postal address:
P.O. Box 590, Johannesburg 2000

London Secretaries:
Barnato Brothers Ltd
99 Bishopsgate
LONDON EC2M 3XE

26 September 1989

LEGAL NOTICES

Registered No: 1329323
Registered in England & Wales
TRIDON SERFLEX LIMITED

We, Nigel John Vooght & John Martin Iredale
of Cork Gully,
9 Greyfriars Road
Reading
Berkshire RG1 1JG
hereby give notice that on 15 September 1989 we were appointed Joint Administrative Receiver of the above-named company by National Westminster Bank Plc under the terms of a debenture dated 27 March 1989 giving the holders a floating charge over the whole of the company's assets.

Dated this 19th day of September 1989.

N J Vooght
J M Iredale
Joint Administrative Receivers

NOTICE
of Meeting of Noteholders

To the holders of 11-½% Convertible Secured Bearer Notes due May 1, 1996 of REPSTEEL OVERSEAS FINANCE N.V.:

Notice is hereby given that a meeting of the holders of the 11-½% Convertible Secured Notes of REPSTEEL OVERSEAS FINANCE N.V., a Netherlands Antilles corporation (the "Company"), will be held on the 3rd Floor in the Trust Department Offices, 1601 Elm Street, Dallas, Texas, U.S.A., on Thursday, October 19, 1989, at 11.00 a.m., Dallas time. The meeting is being called for the Indenture trustee to obtain directions from the holders of Notes regarding how to proceed in the Action to Lift Stay and regarding further strategies to be undertaken in connection with the bankruptcy proceedings involving the Company and The LTV Corporation and its other subsidiaries.

Holders of notes may vote at the meeting in person or by proxy. Forms of proxy and other information can be obtained from the trustee by writing BancTEXAS Dallas N.a., P.O. Box 2249, Dallas, Texas 75221, Attention: Mr. M.J. Trusty. Questions may be directed to M.J. Trusty (214) 969-6362 or L.J. Guillory (214) 969-6814.

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ENERGY EFFICIENCY

The Financial Times proposes to publish this survey on:

13th OCTOBER 1989

For a full editorial synopsis and advertisement details, please contact:

IAN ELY-CORBETT
on 01-873 3000

or write to him/her at:

Number One
Southwark Bridge
London
SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

UK NEWS

Shell, Amoco announce North Sea assets swap

By Maurice Samuelson

SHELL yesterday joined the lively trade in North Sea assets by announcing that it would swap a stake in one of its oilfields for undeveloped offshore reserves owned by Amoco.

Wood Mackenzie, the Edinburgh stockbrokers, said the swap was "a good deal for both parties and a bad one for the Inland Revenue." Shell/Esso could benefit by about £25m and Amoco by "four times that amount."

Under the deal, backdated to July 1, Amoco acquires 9 per cent of the Fulmar field in the central North Sea, 94.8 per cent of which has been held jointly by Shell and Esso. Amoco already has a 3.71 per cent interest in Fulmar and the new arrangement takes its share to 12.71 per cent.

In exchange, Shell and Esso acquire Amoco's 25.77 per cent equity interest in block 210/24a in the northern North Sea and block 21/20a in the central sector. The former block contains the Hudson field, a medium-sized field containing 70m barrels due to be developed in three years.

Dr Chris Fay, managing director of Shell UK Exploration and Production, the operator for Shell and Esso, said the exchange would increase its North Sea reserves and "demonstrates our continuing commitment to the future of the North Sea."

The deal alters the oil companies' tax profile thanks to the system enabling taxation on income to be offset against exploration and production costs.

Fulmar, a mature producing field, attracts a lot of tax which Shell UK Exploration and Production (the joint operator for Shell and Esso) does not at present shelter in production costs. Amoco, with its untapped Hudson reserves, is in the reverse position.

So far in 1989, the trading in North Sea assets has been less dramatic than in 1988 when roughly 15 per cent of Britain's commercial oil reserves changed hands.

However, the Shell announcement, together with other proposed disposals, points to a new surge in this trade before the end of 1989. It includes:

- BP's proposed sale of about 9 per cent of its North Sea production and acreage to Oryx Energy, a US independent oil company;
- The auction by Kleinworth Benson and Consolidated Goldfields of their Renown joint venture, which owns small stakes in oil fields and exploration blocks;
- The sale of peripheral interests of the French oil company Elf-Aquitaine.

Swedes buy £50m London properties

By Paul Cheeseright, Property Correspondent

SWEDISH investors have emphasised their growing importance in the central London property market with another purchase, this time in the Holborn district, at a cost of more than £50m.

The Windborne Group of Stockholm and Wasa Insurance, the third largest Swedish insurance group, are buying Procter House from the Abbey Life Property Fund. The 130,000 sq ft of shops and offices faces High Holborn and spans Procter Street.

The purchase is the second big Swedish property transaction in central London over the past 10 days. Facta Fastigherter, the development company, has bought the Cripplegate Institute, next to the Barbican in the City of London, from property trading company Mountleigh for £14m.

Swedish property investment has increased across Europe since the Stockholm Government started to relax exchange controls in early 1988.

Psion launches new portable computers

By Alan Cane

Psion, the UK-based microcomputer manufacturer best known for its range of Organiser electronic notebooks, yesterday announced a series of technologically innovative portable computers to an enthusiastic response from industry experts.

The new computers – whose launch had been widely anticipated following similar announcements from Atari and Poquet of the US – are about the size of an A4 note pad and weigh less than 2kg, but include a full-size professional keyboard and a high-definition display.

They will run for up to 60 hours on a set of batteries and prices exclusive of VAT range from £545 ($883) to £1,495.

The machines, which use components from the US, Japan and Europe, will be assembled in the Timex factory in Dundee, Scotland at an initial rate of 1000 a month.

Analysts believe the portable market has the greatest potential for growth of any personal computer sector, but that current portable computers are either less functional than desktop machines or too heavy. Last week, Apple Computer, an industry leader, announced a portable weighing close to 16lb with a battery life of only 10 hours.

Psion designed the machines in combination with a wide range of international technology leaders including Texas Instruments, Microsoft and Intel of the US and Hitachi of Japan.

The new computers come in two versions, one of which runs the industry standard operating system MS/DOS, the other a system Psion itself devised.

Industry experts said the machines represented the best compromise so far between performance and mobility, an enthusiasm shared by financial analysts. Mr Rupert Lewin of stockbrokers Robert Fleming said: "Psion cannot hold its lead for ever but at present it is right out in front."

Thatcher 'failed to meet Green promises'

By John Hunt, Environment Correspondent

MRS Margaret Thatcher, the Prime Minister, has failed to deliver on the promises to clean up the environment she made in her landmark speech to the Royal Society a year ago, according to six environmental organisations in a joint report published yesterday.

"Strategic decisions have been taken which set the UK on the course of more, not less, environmental degradation," said Mr Chris Rose, editor of the report, Ground Truth, the Prime Minister's First Green Year.

The document, delivered to the Prime Minister's office yesterday, says that the Government has cut the budgets for energy efficiency programmes which reduce the amount of carbon dioxide in the atmosphere and lessen the danger of atmospheric overheating.

The accusations were dismissed as "absolute nonsense" by Mr David Trippier, the minister responsible for co-ordinating environmental policies. He found the criticisms "startling" when the Government was spending five times as much this year as last year on research on the greenhouse effect and had promised a further increase next year.

The report also criticises the Government for announcing plans for massive new road systems which cut into the countryside.

The Association for the Conservation of Energy says in the report that numerous programmes promoting energy conservation have been terminated or rejected by the Government. It says spending for the Energy Efficiency Office at the Department of Energy is being reduced to £12m in 1990 and to £10m in 1991 compared with £26m in 1986 and £15m this year.

Mr Andrew Lees, water campaigner for Friends of the Earth, said that Mrs Thatcher had yet to deliver on water quality standards. The Government had relaxed standards for over 1,000 sewage works and given the new water water companies immunity from prosecution for one year.

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TECHNOLOGY

Thinking lift ends the waiting game

Lynton McLain finds that US-Japanese rivalry has whisked in innovation

The first brush many of us have with technology at work is with the office lift. If it is delayed, people get frustrated, time is lost and the working day gets off to a bad start.

Once inside, the ride may be noisy and humpy, and acceleration and deceleration too sharp for early morning stomachs.

It is not like this in Japan. The Japanese are content to wait up to a minute for a lift because they give priority to comfort, while in the US a wait of more than 25 seconds is unacceptable, according to market research conducted by Otis Elevator, the world's largest manufacturer in the $14bn lift market.

Previously, complacency among western lift makers and a lack of interest in comfort from those ordering the equipment stifled innovation in ride, reliability and efficiency. This is changing.

In the intensifying search for these qualities – and for a product that requires less servicing – different approaches have been adopted by Otis Elevator, of the US, and Mitsubishi Electric of Japan.

Otis, part of United Technologies, has opted for efficiency as its main goal, although it is making a late effort to combine this with comfort. This is in response to a growing challenge from Japan, where Mitsubishi has a mission to make lift journeys almost imperceptible to the passenger, combined with engineering reliability to cut servicing.

Tsuyoshi Uesugi, the general manager of Mitsubishi Electric UK, says the smoothness of its lifts has been demonstrated in Paris, where one franc coins remained upright on their rims throughout a journey up and down the 15 floors of the Tour Albert Premier.

Uesugi explains that Mitsubishi is "very careful on quality control. The electronic control system is very important as is the alignment of the guide rails. This needs to be perfect for smooth operation."

Mitsubishi achieves smoothness also by using microprocessors to provide more precise and stable digital control. Japanese customers demand "the highest quality smoothness in their lifts," Uesugi says.

Karl Krapek, the president of Otis, says that its goals are now "quality (of ride) and engineering excellence." This is a shift away from a service culture – the company earned 61 per cent its $2.9bn sales last year from service contracts.

Otis has carried out 1m test cycles on a lift with independent suspension, where the car hangs within a frame to insulate it from external vibrations. "We will be the first company to have a perfect ride combined with US flight (journey) times," says Krapek. The first lift with independent suspension is due to be launched by Otis in six months' time.

For the frustrated office worker, the early morning queues exist because lift technology has not changed much in the past decade. Technology that could have made lifts more efficient, perhaps five years ago, including the imaginative use of computers, is only now being applied with the launch of lifts that use artificial intelligence.

Mitsubishi has installed some lifts with artificial intelligence in Japan this year, "on an experimental basis," says Uesugi, with the aim of reducing the waiting time.

Otis has just started to market the Elavonic 411, which uses "artificial intelligence directed dispatching," as the company calls it. This is computer software that enables it to learn patterns of traffic for individual floors, or for particular times of the day or week.

The central unit is a dedicated 32 bit Intel 80386 microprocessor with 4 megabytes of Ram memory, 70 megabytes on hard disk and 1.2 megabytes on floppy disk. This collects and stores data on traffic. The software predicts future patterns of demand around the clock, based on its analysis of past demand. The microprocessor then allocates lifts to give the most efficient response.

The software, written in-house, divides a building into sectors, sets of consecutive floors, taking into account staff distribution. It can temporarily alter the size of sectors at certain specific times to give preference to traffic heading for particular floors.

For example, a 20-storey building is divided into five sectors of four floors each. Every Thursday at 3 pm there is a staff meeting on tha sixth floor. The artificial intelligence system can make the sixth floor a single sector and instruct one or two lifts temporarily to have that floor only as their destination. To achieve this, the system will increase the size of sectors that are not handling heavy traffic. Liquid crystal displays inform passengers of changes.

Whenever traffic patterns change, the system will learn the new pattern and automatically modify the service.

Otis has also developed a technique called "channelling", available as an option on its new lift. In conventional lifts, all the "cars" serve all floors. During the morning rush, the cars may leave the ground floor foyer in quick succession, each carrying people bound for the same floor – hardly a pattern for efficiency. "Channelling" is a computer controlled technique which ensures that people travelling to the same floor use the same car.

In the morning "up peak", cars reaching the foyer are assigned a sector of floors, say 3 to 5, to serve on their next upward trip. The sectors are fixed, but the lifts serving them are not, so that as each car returns to the foyer, it is assigned to a different sector for its next trip. Staff are carried swiftly, as in an express lift, directly to the selected group of floors, by-passing intermediate stops, which will be served by other lifts.

The effect can reduce the service time – from pressing the lift button to getting out at a requested stop – by about 50 per cent, according to Otis. With a conventional lift system, the worst-case service time in the morning peak could be 150 seconds for a building with 14 stories. More typically, a passenger going from the ground to the 14th floor could take 100 seconds. With channelling, the journey could be cut to 40 seconds.

Put another way, the computer-controlled system could double the carrying capacity compared with an older system by halving round trip times.

Other changes in lift technology are on the way, including the use of linear induction motors and magnetic levitation, active suspension and new aerodynamic shapes.

Otis has already sold a linear induction motor lift, designed and built by its French operation, to a Japanese customer through Nippon Otis. With this lift, the motor coil hangs on the end of the rope that pulls the lift up and down, operating as the counterweight as well as the driving force. Its application is limited to a building of no more than 10 storeys because the motor has to ride up and down on an unobstructed pole, which replaces the guide rails of conventional electric or hydraulic lifts.

Even the escalator has not escaped the contest between US and Japanese technology. A high-tech version of the sweeping staircase has arrived in the shape of a spiral escalator made by Mitsubishi. Three pairs of Mitsubishi spiral escalators have been installed in San Francisco.

Otis, which is also working on a spiral escalator design, is spending three times as much on research and development as it did four years ago. Its 1988 budget for R&D was $70m, a fortieth of annual sales. It built a 100 m high lift test tower three years ago with much of the work aimed at improving the ride and the engineering.

One change being considered by Otis is designing lifts so that the operator can choose between more comfortable low acceleration for most of the day and high-speed operation at the peak times.

This could impress incoming visitors with a high-quality "feel" to the lift operation and still whisk staff in and out of the office efficiently.

"HOLD MY CALLS FOR TEN MINUTES – I'M JUST GOING TO RELAX IN THE LIFT."

WORTH WATCHING

Edited by Della Bradshaw

Used nappies no longer wasted

AS RECYCLING becomes more fashionable, novel procedures are being devised to deal with waste.

● In the US, a nascent project, between Rabanco, of Seattle, and pharmaceuticals giant Proctor & Gamble, is considering a way to recycle used disposable nappies (diapers).

The project involves collecting the soiled items from 1,000 households in the Seattle area and feeding them into a hydro-pulper, which breaks them down into their constituent parts – fibres, plastics and faeces.

The paper and plastics can then be turned into other items – plant pots, rubbish sacks or cardboard boxes – and the more unpleasant extracts disposed of through the sewerage system.

● In Switzerland, Enviro-Chemie, of Zurich, has developed a machine which recycles the water from car washes.

Sold in the UK through Autop, of London, the Split-O-Mat collects the waste water and feeds it back into a tank where a powder cocktail, including aluminium sulphate, calcium carbonate and bentonite (volcanic ash), extracts the oil and sludge.

The water/powder combination is then fed through a filter cloth, attached to a small conveyor belt, which removes the congealed gunge. The impregnated cloth is thrown in the rubbish bin.

Doctors dip into lab tests

DOCTORS eager to keep within their budgets once the National Health Service reforms are implemented may be able to cut laboratory costs by carrying out bacteria tests themselves.

Dip-slides have been used in the UK to detect industrial bacteria and bugs in food. Now, with an adaptation to the medium used to grow the bacteria, dip-slides have been developed for use in the surgery.

Manufactured by Tillomed Laboratories, of Henlow, Bedfordshire, the flat polyethylene slides are coated with a different agar culture medium on each side so that they can perform two different tests. The slide is dipped into the sample under test and then stored in a polystyrene tube for the required 24 hours.

To read the results, the developed dip-slide is compared with pictures on an accompanying interpretation chart.

Cards issued over a desk-top

AS THE plastic card becomes increasingly ubiquitous, more companies and leisure centres are considering whether to issue their own.

A machine developed by NBS, of New Jersey in the US, combines three processes in one desk-top machine.

It punches out the name of the prospective card holder, colours the raised letters and then encodes a message on the magnetic stripe. Previously companies had to buy three machines to complete the process.

With the Advantage range of plastic card embossers, data is transferred to the card through a personal computer. The machines, which can produce between 125 and 375 cards an hour, cost from £8,700 to £16,000.

The high-tech doormat

TECHNOLOGY opens doors. It also provides a solution to the problem of wet, muddy feet tramping through them.

The doormat, not generally regarded as high-tech equipment, has been given a facelift to make sure that the mud and water stay where they belong – on the mat.

Designed by Kimberly-Clark, the Kimclean mat comprises three-layers of polypropylene which fit on to a rubber backing. An absorbent sponge-like layer (to hold the moisture) is quilted between a top woven layer (to collect the dirt) and a lightweight waterproof backing.

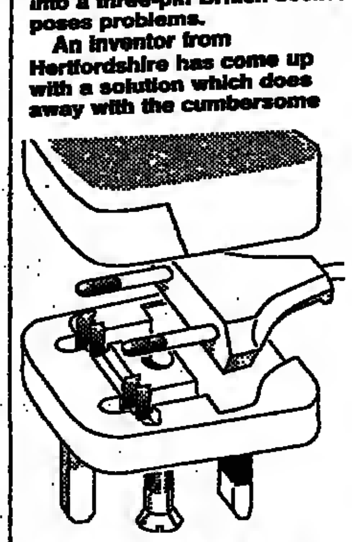
When wet feet tramp across the mat, the moisture is drawn away from the surface by the sandwich filling. When the mat is worn, it can be removed from the rubber backing and a new one attached.

Plugging a Euro-gap

THE BRITISH three-pin electric plug is under siege from its two-pin cousin, the Europlug, which was devised as a way of ensuring that equipment with one standard plug could be used throughout Europe.

But fitting the two-pin Europlug – similar to those used on electric shavers – into a three-pin British socket poses problems.

An inventor from Hertfordshire has come up with a solution which does away with the cumbersome



converter. Instead, the two pins of the Europlug fit snugly into metal contacts inside the familiar plastic case of the three-pin plug.

Because the two-pin plug is moulded to the flex, fitting Le Plug, as it is called, can be done more quickly than with the conventional contact and screwdriver approach.

If widely adopted, Le Plug would allow electrical equipment manufacturers to use one production line for all appliances sold in Europe – rather than needing a separate section for the plug-free British variant.

CONTACTS: Rabanco: US, 206 382 0480. Enviro-Chemie: Switzerland: 55 841 151. Autop: London, 582 0800. Tillomed: UK, 0462 813933. NBS: US, 201 845 7373. Kimberly-Clark: UK, 0622 717700. Le Plug: UK, 0763 89268.

INTERNATIONAL APPOINTMENTS

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Rodriquez

Steering a more varied course

Sari Gilbert explains why the Sicilian hydrofoil company is diversifying into related areas

From an entrepreneurial point of view, tbe Italian soutb for the most part Is still a sleeping giant. A notable exception, however, is the Rodriquez group of Messina, Sicily, a world leader in the production of high-speed naval craft and related systems engineering, and a company which, under the leadership of 38-year old Leopoldo Rodriquez and a team of young managers, has been *diversifying rapidly* into other, related fields.

"They are Sicilians, hut no one ever notices," is an oft-repeated quip. In fact, Rodriquez is something of an anomaly in the Italian south. The subject of a recent Harvard Business School study, Rodriqnez hecame the first industrial company from the Mezzogiorno to he quoted, in Novemher 1987, on the Milan bourse.

Eyebrows were raised further when in 1983 this small southern company – turnover in 1988 was L90bn (£40.8m) – moved to take over Baglietto of Varazze and hreathe new life into the flagging, internationally-known, northern Italian manufacturer of luxury yachts.

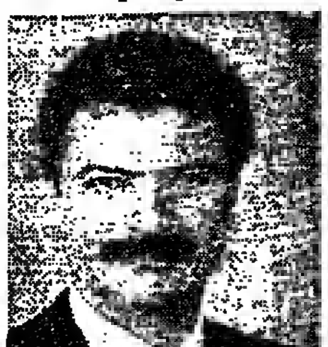
Today Rodriquez is the unchallenged world leader in the production of hydrofoils; it dates back to the ship-repairing company set up by the original Leopoldo, a penniless Sicilian baron of Spanish descent, and which was painfully reconstructed hy his son, Carlo, after the Second World War bombings.

Bnt a new course was set when, in 1985, Carlo made his son, Leopoldo, the president. Leopoldo had started working for the company at 22, and set in motion the first steps for the gradual transformation of Rodriquez SpA from a family-run company to one with an independent management.

Leopoldo Rodriquez, dark-haired with a thick moustache, describes the leitmotif of company strategy as "rationalisation of what exists followed by its natural development."

This has meant joint ventures, strategic alliances, a search for synergies and investments – L12bn planned for the next 18 months. And since last May when "differences over strategy" led younger hrother, Riccardo, to leave, the new trend can be expected to gather momentum.

The fact is that after paying L25bn to L30bn to Riccardo for a 15 per cent shareholding, Leopoldo now controls 51 per cent of Rodriquez. Italian



Leopoldo Rodriquez

financier Carlo de Benedetti's holding company, CIR, with 12.5 per cent, is the second largest shareholder. (Riccardo and his sister Maria now hold a 9 per cent stake each, and the remainder is publicly held.)

Rodriquez' hrand of entrepreneurial dynamism is apparent to a large degree in his choice of projects. "All of our new undertakings complement our existing activities," he says, pointing out that one of the reasons for buying Baglietto was that its boats were built in aluminium alloy; he explains that its clients – like those of Rodriquez – are interested in lightweight, fast craft.

"The two shipyards, ours in Messina and theirs in Varazze, have clear affinities," he says.

But the biggest change is probably Rodriqnez's conviction that although, like the Italian fashion group Benetton, the company is family-controlled, like Benetton it must be in the hands of professional management. "The typical patriarchal style has been replaced with an industrial culture," says Salvatore Mancuso, the general manager. Mancuso, 39, a former bank executive, recently brought on board a new managerial team culled from banking, private and state industry, and the merchant navy.

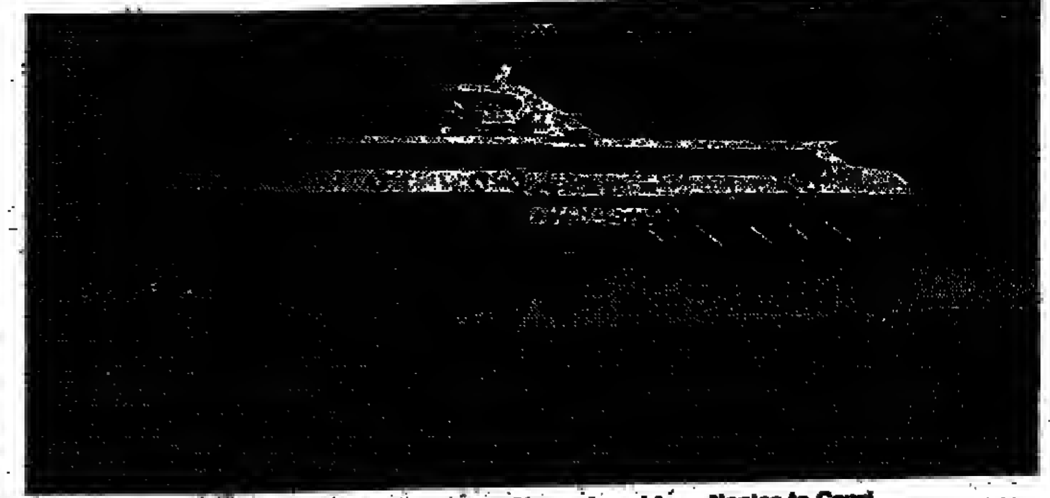
The new management is to oversee what Mancuso calls "the second phase of our development," that which will make it a bona fide "group" rather than a simple industrial company. In fact, since its listing on the stock market, Rodriquez has shown a growing interest in other financial activity, a development likely to have been at least partly responsible for Riccardo's departure.

After recovering from the destruction wrought hy the Second World War, the Rodriquez company returned to its traditional activities. But ship repairing was pushed aside when, after years of stubborn persistence – and the technical help of an Austrian engineer named Frederick Loban – Carlo Rodriquez realised his dream of a "ship with wings".

Now turned out at the rate of about five a year at the Rodriquez Cantieri Navali in Messina or at company shipyards in Malta, Varazze (Genoa) and Anzio, Rodriquez hydrofoils or "aliscafi" zoom across tha English Channel, ferry businessmen from Hong Kong to Macao, take Japanese tourists from Naples to Capri and bring supplies to off-shore drilling platforms in the Gulf.

With L100bn worth of orders on its books – and L14bn in pre-tax 1988 profits – the current management's strategy is clearly paying off. For along with its Baglietto luxury yachts, it also huilds high-speed coastguard cutters, rescue craft and patrol boats. And a new high-tech conventional craft called the "monostab", developed together with Dornier, a subsidiary of West Germany's Daimler-Benz gronp, is schedulel to be ocean-tested this month.

Dornier and Rodriquez are also involved in a joint venture to produce by the end of the 1990s a ravolntionary



Rodriquez hydrofoils zoom across the English Channel, and from Naples to Capri

high-speed "ground effect" craft travelling at ten to 20 metres above the water that managing director Mancuso says "one day will compete with airplanes for medium-distance travel."

And another joint venture, with West Germany's Mannesmann, has led to the setting up of Hydromarina, which will carry ont experimental research in the propulsion field, specifically on the hydrostatic transmission system the company has patented.

Rodriquez is also now deeply involved in the sector of maritime transport and services – its navigation and cargo transport companies operate in Messina, Trieste, Naples and the Caribbean – in research, data processing servicaa and systems engineering. And it has slowly been moving into financial activities. It was a founder shareholder in Akros, the industry-oriented Milan merchant bank set up last year by financier Gian Mario Roveraro.

It recently bought a small stake in the Credito Romagnolo bank controlled by Carlo de Benedetti. It has financing and leasing companies. And it has discussed plans for a southern merchant bank with Sicilcassa, the large Sicilian Savings Bank. It also owns real estate, hotels, and a radio and television network.

Business operations in Sicily have never been easy. Apart from the threat of Mafia pressure, there is a noticeable lack of financial infrastructure. The fourth largest Italian region, with over 5m inhabitants, Sicily still has no investment funds, no stock exchange commission, no asset management companies, no management consulting firms. To date, in fact, no Sicilian entrepreneur with the exception of shipbuilder Ignazio Florio in the 1890s has ever "been a prophet in his own country."

Many observers think Rodriquez is the next exception but Leopoldo Rodriquez disagrees. "They may be less known but there are very many other entrepreneurs like us here." What is exceptional, he says, "is Sicily's failure so far to find its own model of development" – something that goes beyond the heavy industry petrochemical refineries that are polluting the island's east coast. "What we Sicilians do need," he adds, "is know-how and technology."

When communication is in the can

Ian Hamilton Fazey explains why a paint manufacturer has taken to film-making

Wearing the shirt is a Brazilian phenomenon. It refers to what happens when good professional footballers are selected to play for Brazil.

The minute they pull on the national colours they become supermen, imbued with traditions of skill, courage, determination and teamwork, and are ready to win the World Cup again.

Frank de Sostoa, who lives and works in Sao Paolo, thinks it is no different in business life. "People have to understand where they're at, who employs them, what the traditions of the company are and what standards ought to be the norm for the class of organisation they belong to.

"Companies do better when people feel they are working for a winner. It makes a difference to their outlook and the service they offer customers. Many companies fail because people feel they are working for a loser. They become demoralised. In corporate life we need the equivalent of 'wearing the shirt'," he says.

De Sostoa, an American of Anglo-Mexican descent, is a director of Glasurit do Brasil, which is part of BASF Lacke und Farben, the paints and coatings division of BASF, the West German chemicals group.

It is now a German company, but just over four years ago it was American and one of BASF's main competitors.

Called Inmont and one of the largest paints and ink manufacturers in the world, it was part of United Technologies, which decided to unbundle some of its empire.

The consequences of the takeover, or merger as BASF senior managers would rather have it, are still being grappled with.

BASF paid $1bn for Inmont to outbid ICI of Britain and Akzo of the Netherlands. The acquisition remains the single most expensive deal in the continuing shake-up of world paint markets.

However, it is one thing to have the means of making the same products in factories all over the world, but rather more difficult to weld all the different countries and units into a global team with a performance-enhancing "shirt" everyone wants to pull on.

ICI, which in 1986 bought Glidden, a US paint-making giant, seems to have had an easier time than BASF. Language is an obvious example; most of ICI's empire is English-speaking, so understanding and empathy came quickly.

Moreover, Glidden was not a competitor; ICI was weak in US markets, where Glidden was rooted. It was easier to look for similarities and latch one company on to the other.

Common language also ensured a common circulation for ICI's myriad of glossy internal publications. Some of these are also published in German and French but generally it is easy to communicate with the printed word throughout the group worldwide.

The BASF-Inmont takeover-merger was different. There were obvious clashes of both national and corporate culture. Style is one, such as European teutonic measured thoroughness versus the more casual North American "can do", "let's do it" approach, both of which are effective but not easily compatible.

Another is the natural tendency of executives of some nationalities to think more long-term than others.

Language problems have also slowed down the development of a worldwide empathy of purpose. BASF's empire has to function internally in German, English, Spanish, Portuguese and French at the very least, although most German senior executives speak English and increasingly more of their overseas colleagues are learning German.

It is one thing to have marketing people speaking the languages of customers, but quite another to get whole strata of internal management onto the same linguistic wavelengths – especially since they then have to motivate workforces under them, composed mainly of monoglots, with the same corporate philosophy.

Size is also a headache. The BASF-Inmont combination has 18,000 employees spread through all five continents.

To ensure that everyone gets the same message, BASF has plumped for a "seeing is believing" approach to motivation. The company has spent two years making three films, of around 20 minutes each, which explain exactly what it does, what it makes, for whom – and how the technology works.

The films have cost about DM1.2m (£392,000). This is expensive; by contrast that much money would buy 12 half-hour documentary programmes from an independent producer on the British television network.

Although intended primarily for internal consumption, these are rather more than corporate videos. They were shot expensively on film rather than videotape to ensure a look of quality. They are documentary in style and content rather than propagandist, so can be shown almost anywhere.

Putting over the technology seems to have caused more problems than simple translation. The method used – combining animated artwork with film – may be less spectacular than in Who Framed Roger Rabbit? but it is nevertheless effective because the visual language is universal.

The company's scientists and managers have starring roles, as do some customers and their factories, in a fascinating exposition of the art of making industrial products like cars and Budweiser cans.

Shooting took place in Brazil, Mexico, Japan, the US, West Germany, Sweden, Spain, the UK, France, and the Netherlands. With the German version complete, the commentary is now being dubbed in American English, British English, French, Spanish, Portuguese, Japanese, Swedish and Russian – the languages spoken by BASF's employees and customers.

But can films make so much difference? De Sostoa is in no doubt. "This is an important step in trying to bring it all together and achieve synergy across continents. We would need tens of thousands of people travelling all over the world to meet each other to make the same impact that these films will. They will help to make people feel they are working for a winner and wearing the shirt," he says.

JOBS

Why there is no one "right" way of thinking

By Michael Dixon

"IT'S worse than the blind leading the blind," lilted Ian Angell. "Besides being as blind as their staff a lot of managers hire management consultants who're also blind to show them the way."

"And the consultants no doubt pinch the managers' white sticks to do it," the Jobs column suggested.

The Welshman's glasses glittered. "That's not a bad image, even though it isn't original," he said, recalling the old saw that if you ask management consultants the time, they borrow your watch to tell you.

The conversation came up at a meeting held in London the other day by the Society for Information Management. With 4,000 members to date, it has the aim of improving the use of new technology by bringing together two sorts of managers: those directly running the systems that do wonders with information, and those who use it in running the business.

John Hammitt, the international president, had just said the society had no thought of making itself into a pukka professional body, limiting its entry by exams. That raised the name of the British Computer Society, which apparently does have the said ambition. A few days ago it urged that heads of information-processing in big organisations should be required to have a proper qualification. There are no prizes for guessing whose qualification the society has in mind.

While some activities may suit regulation of that kind, they surely cannot include processing of information. Even though it is now done through computers, trying to professionalise it would be as daft as doing likewise to reading and writing.

Nor is the comparison far-fetched. For example, anyone wanting a summary of the likely detrimental effects of new information-processing technology will find them mostly spelt out in the forebodings about the spread of pen-and-paper literacy in Plato's Phaedrus, written 2,300 years ago.

One he omitted was the effects of restricting the management of same to folk whose prime focus is on how the technology works. To do so would court a production-orientated approach which concentrates what is done with the system on the uses either most convenient to those directly running it or likely to be admired by other technical experts.

In organisations with broader aims, whoever heads information-processing needs to take a market-orientated approach, concentrating, not on technical possibilities, but on harnessing the system to serve the organisation in serving its customers and other stake-holders.

When I mentioned those misgivings to Ian Angell, he said his own went farther. The ambitions of the British Computer Society were "imprisoning university courses on information systems in the technology of the 1970s." He is well placed to judge, being Professor of Information Systems at the London School of Economics.

Straitjacket

What's more, he believes that one result is to straitjacket thinking about new technology into a specific style of thought similar to the one straitjacketing computers. He terms it "mathematical logic".

To illustrate he quoted a recent job-advertisement by a big consultancy specialising in complex data-processing systems. The ad set out a problem, and invited people able to produce the "correct" answer to apply on the grounds that they would have the right mentality to be management consultants.

The problem was scarcely novel. It was the one about the prison governor who goes to three men newly interned in the same cell and says he has decided to release the "cleverest" of them. To test which one fills the bill he has brought with him five discs, two coloured white and three black, and is going to line them up faces to the wall and pin one of the discs on each of their backs.

Whereupon he in every case pins on a black disc. Then, forbidding them to talk to one another, he pledges to free the first prisoner able to name the colour of the disc on his back and explain the reasons why he knew it. "After a quarter of an hour," the ad said, prisoner A gave the "correct" answer.

What the consultancy presumably meant by that was the answer produced by mathematical logic starting with the fact that there are but two white discs. Hence any of the three prisoners who saw white on both the others would instantly know his disc was black and claim his freedom. But none does.

Accordingly prisoner A, who sees two blacks on his cell-mates' backs, considers what would happen if he had white on his own. In that case both B and C would see a black and a white so that either of them, realising that if the other could see two whites he'd have claimed release, would know he himself must be wearing a black.

Since neither of them has gone to the governor, A knows he cannot be wearing white. Bingo! The world has gained another management consultant.

The only trouble is that ex-prisoner A's success in his new trade is almost certain to hinge decisively on his ability to understand and persuade people who do not share his own style of thought. For there are other styles just as clever and, in a real world, no less valid.

Let's suppose, Professor Angell says, that the three criminals tackling the discs problem are respectively a gambler, an erring lawyer, and a worldly wise individual with long experience of bureaucrats such as prison governors.

The gambler twigs that being first with an answer is as important as being right. He also realises that, not knowing his competitors, his best assumption is that both are as clever as he is. So he has only a one-third chance of getting the necessary answer by calculation. But if he quickly decides by tossing his empty plate in lieu of his confiscated coins, he improves the chances of being right to 50/50.

The lawyer, mulling over the actual words spoken by the governor, remembers there was no stipulation that a prisoner could name only one colour. So if he answers "My disc is white.... My disc is black", within the letter of the law he has solved the problem.

The third man's knowledge of bureaucrats has told him that the governor's prime concern in setting the test will have been to avoid giving any of the trio an advantage over the others.

Hence he will probably have pinned on the discs so that each of the cell-mates sees the same pattern. With only two colours for three prisoners, that combination cannot be a black and a white in each case. The sole pattern meeting the fairness rule is blacks all round.

Ian Angell thinks that, instead of demanding the "correct" answer, the job-ad should have asked applicants to put forward different approaches to the problem. "Then the consultancy would be looking to identify the lateral thinkers who know permanent advantage can only be found by employing top-quality free-thinkers, and not with the proselytes of a flawed mathematical or technological perfection."

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ARTS


Alastair Muir

Janet Suzman and Albert Finney

Another Time

WYNDHAM'S THEATRE

Another Time, easily Ronald Harwood's best work since *The Dresser* and, like that piece, drawn from rich personal experience, is an ingeniously structured family play set in a permanent diaspora. The metaphor is music for the budding actor/writer who went abroad to find a voice.

In the 1950s Cape Town of the first act, Albert Finney plays Ike Lands, a bankrupt Jewish commercial traveller whose 16 year-old son is struck with musical genius; in a second act Maida Vale recording studio, 35 years later, Finney plays that same son, Leonard, suddenly besieged by his family during the technicians' lunch break.

His mother and aunt are played superbly by Janet Suzman and Sara Kestelman across the age gap, while the comforting moral philosopher uncle of David de Keyser dwindles to a case of comic senility. Young Leonard (Christien Anholt), a youth of graceful determination and modesty, becomes *his* own son, a product of a broken marriage suspended idly between the career choice of actor and merchant banker ("Be a merchant banker" advises the old uncle, "it's less precarious").

This diagrammatic formation is complemented by the scenic device of playing two simultaneous actions one after the other. It strikes you at the time as an Ayckbournian tease, but the cumulative dramatic power is stronger than in light comedy. Saul Radomsky's lovingly furnished brown wood living room revolves to a scene between the sisters in a bedroom; and a stunning mauve and grey high-tech studio will likewise revolve to replay the offstage encounter between an 84-year-old mother and her star pianist son in the control booth.

It is like a double-bill of Clifford Odets and Stephen Poliakoff. Elijah Moshinsky's production is bitingly well played throughout. It discusses an unnatural talent deposited among normal people, and the emergence of that talent, hedged around by vengeful claims on it, in a manner both direct and unsentimental. The Rachmaninov prelude which Leonard is playing as his parents tear themselves to shreds, and Dad expires from a brain tumour, is the same one the resurrected Finney is recording in Maida Vale.

The issue of Act 1 is exodus; of Act 2, return. Leonard will not play in Cape Town for political reasons, but his own son is going back for a taste of the good life. A coffee order is taken: four blacks, one white; a familiar ratio, auntie flippantly declares. The play goes a bit soggy hereabouts, but survives in the strength of the playing. Young Leonard does a Bernard Levin column on Dad, asking at which particular tyranny in a world full of them his conscience will draw the line.

There is no real come-back to this glib argufying, and Finney, barrel-chested and tormented, pleads a sense of failure and of alienation. But his performance out-strips the problem, projecting a towering sense of artistic aplomb in this uneasy fulfilment of stardom. None of which impresses Sara Kestelman's brilliant aunt, whose glass-pressing nosiness is as eloquent as her great colonial aria in praise of English culture: "Without the pogroms you'd be Lithuanian, without the Empire, Zulu!"

A feast of good acting is completed by Suzman's abrasive, disappointed mother, anxious to benefit from her sister's Robert Browning recitations but devastatingly, tragically suspicious of anything that might upset the domestic rotten apple cart.

Michael Coveney

From soft porn to seriousness

Christopher Dunkley on the contrast between Italian TV and the Prix Italia

The excellence of much that can be seen on British television was noted in this column last week by my admirable locum, Michael Thompson-Noel. He implied that he found his own conclusion something of a surprise, arising, perhaps, from the disciplines imposed by the duties of a critic as distinct from the casual habits of a normal viewer.

The most important reason why the young medium of television is so often treated with such contempt by intelligent people is, surely, the casual way in which we allow ourselves to fall under the spell of the schedulers. Television critics may sit down with a fat scarlet felt-tip and mark up Radio Times and TV Times. Or they may traipse into subterranean viewing theatres in Soho to preview carefully selected programmes. That, after all, is their job.

But, left to our own devices, most of us, even if we start out with the good intention of watching a serious drama or a worthy natural history programme, too often find ourselves within half an hour whisked by the schedulers into a sitcom or a game show. It is rather like sitting down to read a Heinrich Boll novel and discovering that you have spent 90 minutes immersed in *Beano* and *Dandy*.

I resume my duties this week not from the old green sofa in London but from the ancient Italian city of Perugia, venue for the 41st Prix Italia broadcasting festival. This is designed to seek out the world's best in drama, music and documentary programmes on both television and radio, and to reward the winners with prizes and, perhaps more importantly, with the considerable prestige attached to this event.

Experience has proved that, even if most so-called broadcasting festivals have now become market places, the Prix Italia, with its juries drawn from programme makers rather than money men or publicists, is still concerned with high quality programmes, and serious ones.

Given the programme categories, and the exclusion of comedy, light entertainment, children's material and, willy nilly, most series and serial drama, there are not many laughs. Programmes tend to dwell upon the troubles of the world: poverty, disease, Nazism, man's inhumanity to man generally. However, my week began not in the hot, dark viewing rooms of the Centro Congressi where hundreds of programmes have been entered in the competition by 55 organisations from 34 countries, but in front of the television set in my hotel room.

My set had 99 channels, among which I found 16 distinct and watchable services. They included the three networks run by RAI, Italy's BBC, which were showing a late night current affairs programme similar to *Newsnight*, a seemingly endless chat show, and a beauty contest called *Bella Italia* in which all the contestants were men. Elsewhere there were the usual American movies, old American series including *Ironside* and *Alfred Hitchcock Presents*, local programmes, MTV, the 24-hour rock video network which can be seen by British viewers who have Astra satellite dishes, and a shopping channel on which imitation antique furniture was being hustled.

In addition to these predictable services were several others of the sort that British visitors to Italy have recently begun to seek out in fascinated curiosity. On the first, Ernest Borgnine, dubbed into Italian, starred in a movie which required his lady friend to take all her clothes off fairly frequently, though he remained respectably dressed throughout.

The next featured a late-night soft-porn variety show in which the male host was accompanied by eight topless hostesses. The main item was a striptease competition between half a dozen amateur contestants, all female, who specialised in elaborate suspender belts. The cameramen specialised in up-the-leg shots from floor level which was less shocking than might have been expected since, under their knickers, all the contestants wore g-strings which they kept on.

Finally there was a soft porn movie with a lot of static talk scenes interspersed with bouts of nude writhing on the soundtrack. This was regularly interrupted by commercials for wedding dresses and fur coats, suggesting surprisingly that the audience was assumed to consist largely of women.

★

To go from this merry zapping through soft porn, kitsch, and hardsell to the viewing rooms of the Prix Italia seemed like moving into a different medium and an entirely different world. The first work to be shown in the television fiction section was NBC's *Roe vs. Wade*, a two-hour documentary drama starring Holly Hunter (so splendid in *Broadcast News*) as the young Texan woman at the centre of an historic abortion case. During the next four days I watched a Belgian documentary called *The Children of Felgueiras* about the sweated labour of child shoe-makers in Portugal; ITV's drama entry *Comeback* in which Anton Rodgers gives yet another magnificent performance, this time as a man whose failed suicide attempt delivers him to the "graveyard ward" of a large hospital; and an impressive and saddening German drama called *Quarantine* about reactions to a modern plague, Aids clearly being the model, but attitudes being unchanged from the Black Death and before.

From Holland came *Prelude*, a clever account, albeit a very long one (all over the world, serious television programmes seem to be inordinately long) of the personalities – Bruckner, Freud, Klimt – atmosphere, and events in Austria preceding Hitler's rise to power. In the music section, France entered *Bohuslav Martinu*, a conventional biography designed to make the music of the Czech composer familiar to a wider public, and Sweden offered a ballet, *The Tale of a Manor*, beautifully choreographed and designed specifically for television, giving it a huge advantage over the other sort.

We have seen a remarkably frank report on the Soviet army in Afghanistan from Yorkshire TV's *First Tuesday*, an expensive costume drama about the development of medicine and public health in 18th century France, and a Japanese interpretation of Carmen which, not so surprisingly, looked remarkably like *Madam Butterly* . . . and we have hardly started yet.

The contrast between the schedule on offer in my hotel room and that at the Centro Congressi is stark, and the response to anyone who held up the festival's riches as evidence of the high quality to be found in television would doubtless be an accusation of artificiality: you would never come across such a rich diet on any television channel anywhere.

It is worth remarking that while Britain's own BBC2 probably gets closer than any other channel in the world to the routine provision of such a schedule. Michael Thompson-Noel's comments last week are relevant here. Moreover, although the Prix Italia misrepresents television in one sense – it shows an American two-hour drama without any of the numerous commercials for pile ointment or deodorant which would punctuate its real transmission – it also serves to give programmes the sort of international dimension, the "shelf life" and the serious consideration which even the best of television usually so desperately lacks.

An Evening with Queen Victoria

GREENWICH THEATRE

Personally I can't get enough of Queen Victoria. The best way of making her acquaintance is through her own writings, voluminous diaries and profuse correspondence, where her common sense, insight, unpompous principles and natural liberalism attractively balance the emotional self-indulgence or fussy personal prejudices.

Prunella Scales now dons the widow's cap in a portrait composed of the Queen-Empress' own words. We meet her almost at the end of her life at Osborne; Princess Beatrice reading and playing to her. The octogenarian flings off her shawl and assuming the piping monotone which is the British theatre's lazy shorthand for royalty, reverts to the Princess of Kensington.

The first half is enormously charming in a lightweight, nudging way. How awful to subject the little girl to a physics lecture dealing with "repulsion, exhibited in various ways." Good to be reminded of her sense of fun, her passion for dancing (especially to Johann Strauss' band), her love of opera ("I'm a terribly modern person," she admits heretically of her preference for Rossini and Bellini over Handel). Uncle Leopold who "rules Belgium *beautifully*" warns her that much of Old England's society is made up of "humbug and deceivers." In a briskly acerbic pen-portrait that would do credit to the Young Journalist of the Year, the teenage observer demolishes gluily stolid Dutch princelings. "So much for the Oranges" indeed.

Apart from referring to parents as Mummer and Pupper, Prunella Scales' main weakness is illustrated by her account of Victoria's coronation. The passage also occurred in the RSC's royal anthology *The Hollow Crown*, and both Ashcroft and (still available on cassette) Tutin made it hilarious and touching while remaining perfectly in character. Miss Scales gives us a sitcom. A consciously comic performance played by a consciously comic actress with stagey emphasis and deliberate timing: "what was called an altar was covered with (*pause*) sandwiches . . . bottles of wine (*pause*) et cetera . . ."

The second half deals with bereavement and vicissitudes, but Miss Scales remains a Colonel's lady with her "orf" and "clorth," a 20th century middle-class version of authoritative Englishness. A stereotype, in fact; Prunella Scales giving a funny performance, not an Anglo-German from worn-out stock who became Empress of India and incidentally saved the British monarchy.

Potted palms, deck, button-back chair with Scots plaid rug provide the setting (no designer credited). Richard Burnett plays the piano (the Beethoven variations on the national anthem included) and Ian Partridge tenorises an octave or so too high for Luigi Lablache in a delightful Rossini number familiar from Britten's *Matinées musicales* and sensitively in songs by Prince Albert, Frederick Clay and Sullivan. "Charm" is the word that clings like a burr; it could have been much more.

Martin Hoyle

New York City Ballet

THEATRE DES CHAMPS ELYSEES, PARIS

New York City Ballet's European tour ended last Sunday after a series of performances given as part of Paris's International Dance Festival at the Théâtre des Champs Elysées. Dazzling performances, electric with energy, fine-tuned, gleaming and classically exact. Six years ago, following George Balanchine's death, various voices of doom were forecasting that the company's days of glory would be numbered.

The years since then, have shown rather, that NYCB has never looked more *brilliant* as a classic ensemble, nor more exact in maintaining that inner quest for a renewed academic style. So today's NYCB is as assured and beautiful as at any time in its history, and it is to the immense credit of its ballet-masters and its school that it should be so. And in its youthful cohorts, especially those women soloists who have given this tour an added excitement, there is every sign of future excellence: such artists as Nichol Hlinka, Wendy Whelan, Margaret Tracey, Helene Alexopoulos, Diana White, have claimed leading roles with exhilarating skill.

Sustaining everything, of course, is the great corpus of the Balanchine repertory, and be it said that his works have been superbly performed. An account of *Four Temperaments* on Sunday afternoon was one of the high-points of this season, with Peter Boal (making Melancholic the more intense through contrasts between classic rectitude and sloughs of emotional despair), Merrill Ashley and Peter Frame, Alexandre Proia and Diana White, perfectly matched.

It is often the case with this crucial piece that one of the "temperaments" is less good than the others. Ideal unity of excellence reigned on this occasion. There were a couple of bleak moments with two senior artists miscast in other ballets, but what compensations came with Kyra Nichols divinely at ease in *Chaikovsky pas de deux* and in Robbins' *Other Dances*, letting movement float endlessly on the musical phrase.

The Jerome Robbins' repertory has looked no less well-groomed. *Moves* and *Glass Pieces* (that vision of a minimalist rush-hour) were taut, and as ever with Robbins, astonished by the precision of the imagery evoked by the score. Especially fascinating was his *Antique Epigraphs* which is a response to the *Greek imaginings* of Pierre Louys and Debussy, whose late piano duets on Louys' poetry are given in Ansermet's orchestration. Robbins features four female soloists and four attendant women. Long gauzy tunics, hair bound in fillets, an awareness that a frieze has come to life, are part of a sensitive evocation of Belle Epoque hellenism.

The women move with exquisite precision, and there are hints of Louys' epigraphs that inspired Debussy, but the dance is freed from illustration, and the choreography holds us by its gusts of feeling as by its controlled form. I thought the piece very attractive, and superbly done by its four soloists, who are beautiful women (with Stephanie Saland's profile like something from an Alexandrian jewel).

Peter Martins was represented by only one piece, the *Waltz Project* that was part of NYCB's American Music Festival two years ago. Thirteen *composers provide waltzes* (a convenient misnomer much of the time) which Mr Martins variously sets for four couples. To take the most irresistible of dance forms – and, in the main, fillet it of its dance pulse, is the curse laid on the project by the composers. This *is musique non-dansante* and in solving the problems given *him* by his composers, *Martins* has been ingenious over and above the call of choreographic duty. Since none of the music takes wing – all it does is take infernal liberties with the idea of one-two-three – Martins responds with jokes, acrobatics, and sheer craft in hints at waltzing. The result is undoubtedly clever, succinct, and always apt; *I hope Martins* has not been put off the waltz for the future.

The last sight of NYCB in the festival was in *Symphony in C*, its cast ebullient, assured. One could not ask for a happier close *to* a visit that has asserted the company's present grandeur at every moment in radiant performances.

Clement Crisp

New plans for Almeida

Ian McDiarmid, the new Artistic Director of the Almeida Theatre, and his Associate, Jonathan Kent, yesterday announced plans for the Islington venue in 1990. They pledged themselves to the innovative, internationalist approach of the Almeida's founding director, Pierre Audi, who has joined the board and who will serve as consultant to the contemporary music festival in June and July.

The theatre will present its own twice-yearly programme of plays, starting with Glenda Jackson in Howard Barker's *Scenes From An Execution* (first heard on BBC Radio Four in 1984), directed by McDiarmid, opening January 9; Claire Bloom and Espen Skjonberg in a new translation by David Rudkin of Ibsen's *When We Dead Waken*, directed by Kent, on February 20; McDiarmid in Ben Jonson's *Volpone*, directed by Nicholas Hytner, on April 3; and a new play by David Lan, *Desire*, directed by Andrei Serban, on May 14.

By any standards, this is a *remarkable* programme. The Ibsen play has not been seen in London since 1945; Claire Bloom has not acted on the London stage since her memorable Blanche Dubois in the mid 1970s; Serban has not directed in the British theatre before, though he has done much opera here. Above all, one senses a new mood of *creative optimism* in a theatre now run by two actors, whose pooled experience includes seasons at the Glasgow Citizens and the Royal Exchange in Manchester, at the RSC and the National. McDiarmid is a noted champion of Howard Barker's work, Kent of Rudkin's. A permanent London base now seems assured for two of our most gifted and controversial theatre poets.

The second Almeida Theatre Company season will be mounted in September, after the music festival (the tenth) and an international season of invited work in July and August. It is intended to follow this four-part plan in subsequent years. Marc Dondey has been appointed the Almeida's first full-time Music Festival Co-ordinator for an event that is increasingly recognised as one of the most significant in London's musical life.

Both directors stressed their affection for the auditorium, "an epic space in miniature," in a building designed by two pupils of the architect of Drury Lane and first designated a Victorian scientific institute.

In an annual turnover of about £900,000 in the current financial year, the income is split evenly between grants, sponsorship and box office takings. The Arts Council does not contribute, but major funding comes from Greater London Arts (£205,000), the London Borough Arts Scheme, Islington and the Visiting Arts unit of the British Council. Current Almeida sponsors are Lufthansa and British Telecom, and the music festival was this year recognised in an award from the Prudential.

The first theatre programme has been made possible by individual donations, and it is hoped that corporate sponsorship will follow. Beyond a *commitment to the* "international-ist aesthetic," McDiarmid, when questioned about policy, was content to quote the director William Gaskill: "Policy is the people you choose to work with." But both he and Kent envisage a growing together of dance, music and theatre. Howard Barker, it was said, is planning to write an opera.

M.C.

ARTS GUIDE September 22-28

THEATRE

London

The Merchant of Venice (Phoenix). Dustin Hoffman's Shylock a sympathetic, semaphore-gesturing alien in Peter Hall's fine Venetian Renaissance production. Geraldine James a superb Portia (836 2294).

The Black Prince (Aldwych). Ian McDiarmid gives the performance of a lifetime in Iris Murdoch's distillation of her own Hamlet novel. Witty black farce, vitriolic and entertaining (836 6404).

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zaks's desperately bright production comes from the Lincoln Center in New York and is undemanding summertime fare (734 8951, cc 836 2428).

A Flea in Her Ear (Old Vic). Feydeau's farce in the John Mortimer translation spiritedly done as German Expressionist nightmare by Richard Jones and the Quay Brothers, the directing and design team on WNO's *Love of Three Oranges*. Jim Broadbent leads good cast as the discomfited insurance manager and his doppelganger, a drunken hotel porter. An interesting, enjoyable, unfairly derided experiment (928 7616, cc 240 7200).

Veterans Day (Haymarket). Imperfect Donald Freed nationalist paranoia play about three veterans gathered to bump off the President partly redeemed by fascinating duo of psychotic Vietnam hero Michael Gambon and brightly accommodating Second World War buddy Jack Lemmon (930 9832).

M. Butterfly (Shaftesbury). Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York (379 5399).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance (839 5972).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its back-stage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South Africa in the 1980's (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Les Miserables (Auditorium). The international spectacle has settled in for a long stay by the Great Lakes (922 2110).

SALEROOM

Buoyant image

When the buying and selling of works of art was a transaction between gentlemen dealers and connnisseur collectors there was a leisurely summer break in which grouse were shot, yachts sailed, and spirits refreshed. Now the art market is a never ending merry-go-round fueled by spiralling prices, and no one wants to be out of the action for long.

The new season has started with a vengeance and shows every sign of continuing at a frantic pace, with unprecedented prices being paid for the best works in certain areas. Yesterday in Hong Kong Christie's Swire sold a portfolio of a hundred sketches by the 19th century traveller Charles Wirgman for £1.1m, almost ten times estimate, with a Filipino collector paying exceptional prices, rising to £52,500, for sketches of Manila in the 1850s.

Meanwhile Sotheby's in Sussex had problems with 18th century Venetian garden statuary about which some dealers expressed doubts. Others bid keenly enough and a stone figure of Hercules attributed to Orazin Marinali made £56,100, and Diana and Orpheus by Antonio Bramante realised £36,300. In all the 16 lots brought in £195,250, well below expectations.

Salerooms have taken over as the market price setters but dealers are fighting back through specialist fairs which, with their range, quality, and popular appeal, present a buoyant image of a thriving market. This is particularly true at the Cumberland Hotel in London this week where the 20th Century British Art Fair continues until Saturday evening.

This Fair was successfully launched a year ago and the second venture shows a considerable gain in stature. Gone are most of the dealers in the "jolly bollyhock" school of paintings; instead the 50 dealers exhibiting subscribe, in theory, to "the spirit of 20th century art," which means a Fair of high quality but also high prices.

Apart from prints and drawings on the stands of Abbott and Holder, Austin Desmond, William Weston and the like, there are few good works at under £1,000. Some of the artists currently in fashion, like the Scottish Colourist S.J. Peploe, have works on offer approaching £250,000, and there are other six figure paintings by De Glehn, J. D. Fergusson and David Hockney.

Some of the leading contemporary dealers, like Waddington, Greenwood, D'Offay and Jacobson, are absent, but there is room for works by pop artist Allen Jones, a £35,000 high heeled nude; and back in favour post war artists like Terry Frost and Patrick Heron.

Antony Thorncroft

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The deficits pile up

ALMOST EXACTLY a year ago, at the annual meeting of the IMF in West Berlin, the UK Chancellor of the Exchequer advanced the thesis that a current account deficit which is the result of purely private decisions is not a problem for public policy, unless "the creditworthiness constraint comes into play." The UK looks increasingly likely to explore that "constraint."

It is impossible to view the balance of payments results for August as anything but disappointing, especially when the domestic economy is supposed to have been slowing down. If so, how is it possible to have not merely another poor set of monthly figures but, more disturbingly, what looks like a deterioration in the trend?

Obviously, the docks strike may have had a large effect on these figures. None the less, it appears as though the current account deficit in the latest quarter annualises at over £23bn (4½ per cent of gross domestic product). The first eight months of 1989 have seen a current account deficit of just under £14bn, very close to the Chancellor's forecast, delivered last March, of £14½bn for the year as a whole.

One reason the picture has become gloomier is that the estimated balance on invisibles has been revised downwards to £300m a month. But there is probably more to it than that. The volume of exports, excluding the erratic items, in the latest three months is ½ per cent *lower* than a year before (and up only 1 per cent between the latest two quarters), while that of imports is 8½ per cent higher (and up by as much as 4 per cent between the latest two quarters).

External balance

Either the slow down in domestic demand is not yet occurring to tha extent believed or it is not having the anticipated effect on the external balance. On the former hypothesis the villain of the piece remains private consumption. On the latter, the problem is that the demand for products that are not made in large quantity or satisfactory quality in the UK – motor cars, for example – has been little affected so far. Similarly, exporters may have neither the capacity nor the incentive to expand exports aggressively. On that assumption there is simply not enough manufacturing output to go round.

According to Mr John Wells of the University of Cambridge, the ratio of output of manufactures to expenditures on all manufactured products was only 85 per cent by 1987-88. Given what is happening to oil and to invisibles, this ratio must return to not far short of unity if the external deficit is to be closed.

Exchange rates

The question is whether such an adjustment can occur without a substantial depreciation of the real exchange rate, especially when, according to the IMF, the real effective exchange rate (based on relative unit labour costs) in the second quarter of 1989 had returned to roughly the same level as in 1981. Given the way the UK labour market continues to operate at the moment, the only likely way to bring about such a real depreciation is via a decline in the nominal exchange rate. But that would be highly inflationary and so quite unacceptable. It would almost certainly not have the desired long-term effect on competitiveness either.

Mr Lawson's response to the latest figures has been to claim that "the good news is that inflation is now on the way down." But this is only true when mortgage interest rates are included, precisely the number the Mr Lawson has told us not to look at. Inflation will not go on declining if the exchange rate is allowed to depreciate. Mr Lawson must raise interest rates again if starts to.

With depreciation ruled out, Mr Lawson will hope that British manufacturing will go on expanding exports and replacing imports, irrespective of the squeeze on competitiveness that is now under way. Alternatively, the world's capital markets will need to be as tolerant of accumulating deficits as he has suggested. If neither of these alternatives work out, the Chancellor may be forced to accept interest rates far higher than anything now anticipated by the markets, by business or – not least – by his party.

BAT and the raiders

THE DECISION by BAT Industries to hive off its retailing and paper interests may be a rather small dismemberment in relation to the overall profits of this unwieldy conglomerate. But it is bound to be interpreted as a significant climb down by a board that had hitherto given no hint of revisionism over a policy of diversification away from business into a host of unrelated areas. Without the arrival of Sir James Goldsmith and his raiding party, such a move to placate BAT's institutional shareholders might never hava happened. Yet it would be simplistic to conclude that this provides a complete apologia for the operations of the corporate raiders, or that Anglo-Saxon capital market discipline has all the answers.

The merit of a system in which hostile takeovers abound lies in the discipline imposed on all the players by the presence of potential aggressors. That discipline is clearly valuable in the case of a conglomerate whose strategy has failed to convince its shareholders. The BAT affair demonstrates that in a world where the availability of finance is takeo for granted, the discipline is all pervasive, even if BAT has yet to contemplate divesting its financial interests.

But the world's stock markets do not consist solely of conglomerates built around core businesses in declining industries. And while the linkage between predatory market activity and short term improvements in earnings per share is fairly clear cut, there is a much less obvious causal chain leading from stock market pressure to improved product quality, enhanced investment or better marketing.

Worthwhile costs

When the consequences of raiding turn out, as in the US, to be a highly leveraged balance sheet regardless of who wins the bid battle, the causality becomes more obvious again: management is forced to slash worthwhile costs along with the flab to service burdensome debt.

Small wonder, then, that policy makers in the US such as Treasury Secretary Mr Nicholas Brady are unhappy about *financial engineering* – or that the financial engineers like Sir James Goldsmith are abandoning the US in favour of the less sceptical climate in Mrs Thatcher's Britain. Yet scepticism is overdue. For corporate raiding as practised in the US is less a product of market forces than of market distortions.

Too often the raiders are the creation of bankers, who have recently seen the profitability of their core lending business undermined by competition. Tha commercial banks have sought new outlets for funds and related fee income. The raiders answer their prayer. Yet the penalties for undue risk-taking in a system buttressed by deposit insurance are inadequate. So, too, with many of the clients of profit-hungry investment bankers. Savings and loan institutions, for example, are happy to accept equity dressed up as high yielding bonds as a short term solution to problems of profitability.

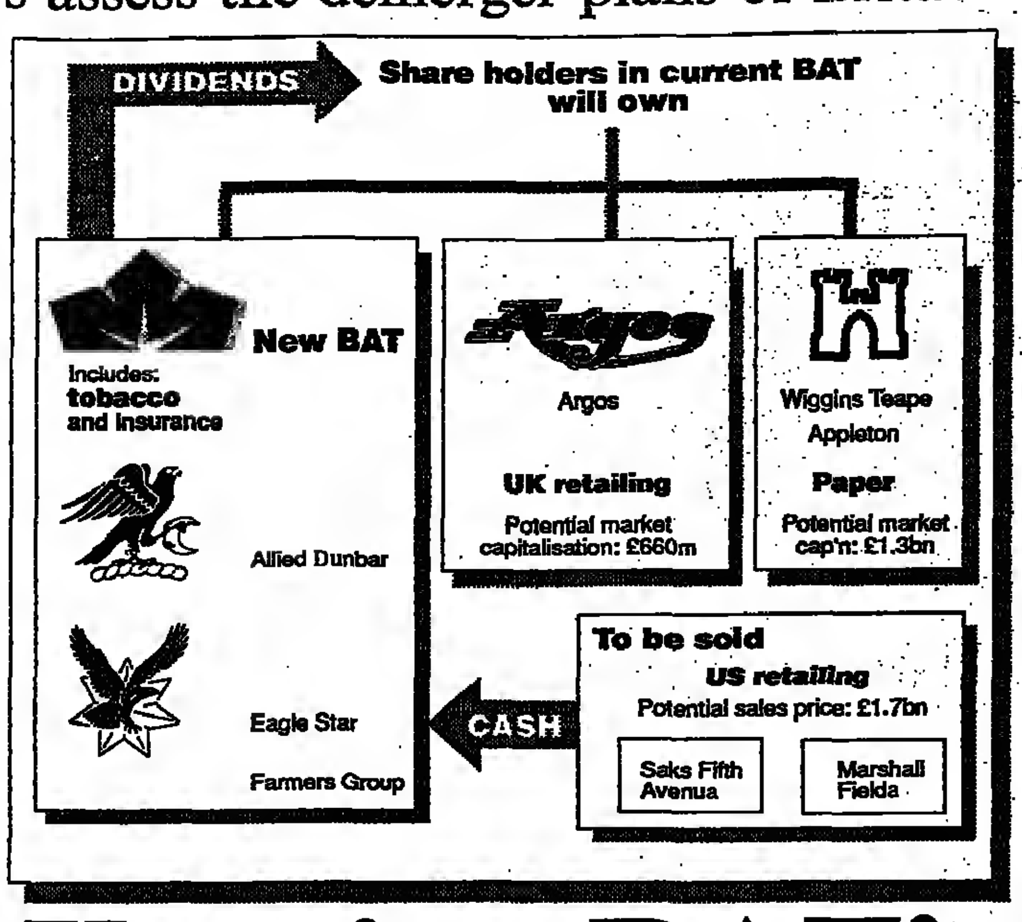
Predators

An army of predators has thus been launched on a raft of debt capable of crossing the Atlantic. And the judgment of the bankers and investors involved is frequently open to question. The record, for example, of Mr Roland Franklin, whose off-shore concern Pembridge Investments yesterday launched a bid for DRG, scarcely inspires confidence in the light of his involvement in the catastrophic collapse of Keyser Ullmann in the 1970s. Does anyone need market discipline like this?

The risk in all such activity is that it can be needlessly disruptive of business. The troubles of Campeau Corporation in the US are also an ominous warning of the junk bond market's potential to impart a wider shock to the economic system. For industry to become hostage in this way to the structural problems of the banking system is absurd. And the problem will not be resolved by the conventional machinery of competition policy. The fiscal incentives to borrow and bid, together with the deposit insurance arrangements in Western banking systems, are in need of urgent review. The raiders are a symptom, not a cause.

FT writers assess the demerger plans of Britain's biggest conglomerate

Keeping BAT's two cores



The end of the phoney war for BAT Industries came yesterday in the ornate salon of an 18th century nobleman's mansion in London owned by one of the group's many subsidiaries. There Mr Patrick Sheehy, BAT's chairman, unveiled a restructuring scheme to head off the £13bn bid by Sir James Goldsmith's Hoylake consortium.

Mr Sheehy, visibly tired after 11 weeks of defensive planning, had a simple message to put across. BAT's five-point plan – the demerger of its paper and UK retailing interests, the sale of its US department store chains, increased dividend payments, and share repurchases – may look radical. If successful, it will leave the new BAT as a very large global tobacco company (with 11 per cent of the US cigarette market) joined like a Siamese twin to an almost equally large insurance side.

But, according to Mr Sheehy, the scheme is really no more than a variation on BAT's old strategy of using the profits of its tobacco side, expected to reach nearly £950m in 1989, to underpin expansion into what BAT sees as the growth business of the 1990s – namely, financial services. "The decisions we are taking today are simply a natural acceleration of that process," he said. Far from representing a tacit acceptance of Sir James's wounding criticisms of BAT as a corporate brontosaurus, the demerger scheme would in the long-run prove the wisdom of BAT's diversification strategy.

The City will inevitably be cynical about Mr Sheehy's rhetoric – and especially his insistence that even without Hoylake, BAT's autumn strategy meeting would have had the sale or demerger of the paper and retailing businesses high on its agenda. Even before yesterday's presentation, analysts were already questioning whether BAT's scheme was an adequate response to Sir James. "BAT have pitched it, quite correctly, at the market-place," said Mr Robert Haville, London-based conglomerates analyst with Morgan Stanley, the investment bank. "But it has an air of predictability. Whether it's enough, I just don't know."

Stripping away all the rhetoric, the bottom line is that BAT has accepted that some degree of restructuring was inevitable. This has been on the cards almost since the moment when Hoylake launched its bid on July 11 – but with yesterday's announcement, the die is cast and BAT is firmly committed to it.

Though few of BAT's major UK institutional shareholders are enamoured of Sir James – "we're not going to let that man rip up BAT for his own gain," as one put it yesterday – neither are they eager to see a return to the *status quo ante* at BAT. At bottom, that means a return to the under-performance its share price had shown for much of the 1980s. For instance, some of the UK insurance companies with large holdings in BAT have been notably unimpressed by the grandeur of BAT's acquisition strategy in insurance, which culminated in its $5bn takeover of Farmers Group of the US last year.

Among the influential UK institutions with sizeable stakes in BAT are Mercury Asset Management with 4.5 per cent, Prudential Corporation with 3.8 per cent, Standard Life and the Postel pension funds with about 2 per cent each, and Legal & General with about 1.6 per cent. None of them has been eager to voice public criticisms of BAT – but some have been very active behind the scenes, not least with discreet off-the-record briefings to the press.

The idea that BAT could restructure itself has been around for some time, too. In the early days of the Hoylake bid, in July, merchant bankers at London's Baring Brothers floated semi-publicly the idea of dividing BAT into four separately-quoted companies, corresponding to its tobacco, insurance, paper and retailing legs, as a way of liberating them and boosting their value to shareholders. All the signs are that BAT has received many overtures on these lines: as Mr Sheehy put it yesterday himself: "Just everybody's been in touch us, about everything. They all say they can help."

Yesterday's announcement will not, therefore, have surprised City institutions. If it surprised Hoylake, it did not take the consortium long to react. It said it welcomed the scheme and will vote in favour at the October 19 extraordinary general meeting. But this is likely to be merely a tactical move, with another assault to come later. Before returning to the fray, Hoylake still has to cope with the insurance commissioners, in nine states of the US, who have a right of veto over a new owner or controller of Farmers Group. The Takeover Panel's decision 10 days ago allowing Hoylake to lapse its bid while it gains approval from the commissioners, means that Sir James has more time to play with.

There remain possible snags, though, since his plan to eradicate regulatory problems by pre-selling Farmers to Axa-Midi, one of France's largest insurers, depends on the regulators accepting Axa-Midi as an owner for the company.

Sir James Goldsmith's timing aside, BAT's destiny now depends on the answer to two more questions – both still perplexing.

First, is the BAT plan sufficient to give shareholders what they want – meaning, in crude terms, does it generate enough value to keep the price the stock market puts on BAT above the £8-£8.50 range in which it has been hovering since Hoylake launched its bid?

Although the egm is set for mid-October, the first fruits of the restructuring would not actually be due until at least February. That is when BAT plans to make a special interim dividend payment, as part of its programme of raising the proportion of earnings distributed to shareholders. BAT also says it will not sell its US department stores, Saks Fifth Avenue or Marshall Field, or its 50 per cent stake in the Horten West German retail chain, until at least then. This is because any price tag put on them would depend on their results for the last quarter of 1989, which includes the Christmas season.

It looks as though these disposals, plus sale of other peripheral items such as BAT's 69 per cent stake in VG Instruments, could produce a net £1.7bn, according to Mr Charles Pick, a London-based analyst with Nomura Securities.

BAT's two paper companies, UK-based Wiggins Teape and Appleton Papers of the US, could in theory command a combined market capitalisation of around £1.3bn BAT's planned flotation. They have strong brand-names, and dominant market shares in fields such as carbonless copying paper. The more interesting demerger, however, could be that of Argos, BAT's 240-store UK catalogue retailing chain. BAT bought Argos in 1979 for £35m, but according to some observers it could now be worth around £660m.

The snag – as some institutions were swift to point out – is that while these planned demergers may look large, theyactually represent only a small proportion of BAT's profits. According to the group's own forecast yesterday, of its £2bn expected pre-tax profit for 1989 more than £1.6bn, or 80 per cent, will come from insurance and financial services. Hence the valuation of these two businesses, which will remain part of BAT, is the crucial factor in determining just how much the group is worth.

Put another way, the second big question arising from yesterday's move is whether the idea of a tobacco/insurance conglomerate is viable – or simply a corporate white elephant.

BAT was adamant yesterday that tobacco and insurance make an exemplary fit. Not least, according to Mr Sheehy, because BAT has added the marketing edge of a branded consumer products group to the management of insurers like Eagle Star, which, he says, is now "one of the most market-oriented insurance companies in the UK." There are problems here, though. One is that BAT has not answered Sir James's criticisms of the way its tobacco side has lagged behind its greatest rival, US-based Philip Morris; another is that BAT has never been able to produce conclusive figures showing that tobacco companies add value to its insurance acquisitions.

So BAT's institutional investors will face a taxing dilemma on October 19. If they vote down BAT's scheme, they clear the way for Sir James, and possibly open a Pandora's box full of US-style, highly-leveraged innovations such as Hoylake's junk bonds. If they back BAT, however, the risk is that their approval will be taken by its management as a fresh endorsement of its unproven tobacco-and-insurance strategy.

Nick Bunker

Patrick Sheehy

"TINGES of regret" were the most that Patrick Sheehy, BAT's chairman, would admit to yesterday as he talked about his plan for a defensive restructuring of the company. For the most part it was a stoical performance from a man who has spent his entire working life with BAT – and one who, in the early stages of the bid, dismissed a big financial restructuring as no more than a potential "longer-term" option.

What were his feelings about this partial dismemberment? "It's a very powerful strategy for BAT in the 1990s." With news of his impending retirement next year, was this the way he would have chosen to leave the group? "I've always been of the view that fewer businesses are right for us, rather than more." The delivery was dead-pan and dogged.

The board objectives, according to the Sheehy gospel yesterday, had been two-fold throughout the defence – and for some time before that. On the one hand, there was a desire to show that BAT was adding value to the businesses which it owned. One the other, there was the need to address the gap which had developed between the perceived underlying value of those businesses and the group's market price.

To that extent, Mr Sheehy was giving a smidgeon of credit to Sir James and his allies. Hoylake, the BAT chairman conceded, had given urgency to the second objective. But Mr Sheehy was not being overgenerous.

"Our strategy over the last seven or eight years has been to try and narrow the gap (between share price and value)," he rumbled, for the umpteenth tima yesterday. "What we've announced today is really an acceleration of that. It has to be seen in the context of the fact that we had – before the Hoylake bid – a strategic review and we had decided we weren't going to be in paper and retailing for the longer-term."

Such thinking, it should be said, had not filtered through to BAT's larger institutional shareholders. They have been unusually vociferous in lobbying for some internally-generated restructuring throughout this bid. So if Sir James was to be given only a little credit for yesterday's development, was this a day on which shareholder power had triumphed?

Mr Sheehy declined to give much ground there, either. He had, he conceded, been somewhat surprised by institutional reaction – but only "because he had imagined the company had a fairly "open door" and not too much agitation had been heard before Hoylake's arrival. As for suggestion that institutions had boxed BAT into a corner, that received short shrift.

What, then, of the broader argument? Does BAT's move reinforce the view that conglomerates have little justification except as skilful traders of businesses? Mr Sheehy thought that a misconception. "We've never traded our tobacco business and we're not going to be trading our financial services businesses", he retorted.

"We've never really intended to be a trading business. We went into these four areas because we believed they gave us the opportunity to grow, and they played to our strengths. The move into financial services clearly has demonstrated that one has much more potential than the other three.

"The secret of success," he continued, warming to this new theme, "is concentration."

Nikki Tait

OBSERVER

All gossip at the IMF

■ Not much of a week for students of discord – at least in Washington. The Group of Seven Finance Ministers have been oozing bonhomie, and the new boys – Japan's Ryutaro Hashimoto and West Germany's Theo Waigel – have gone in for one liners at news conferences and jokey speeches at receptions.

Nigel Lawson's consistently cheery demeanour misled many into expecting a marked improvement in Britain's latest trade figures instead of yesterday's news of an above £2bn current account deficit.

Hashimoto has been left unruffled by his colleagues' brusque rejection of his idea for a special boost in Japan's share of the IMF quotas to push his country into the number two position in the Fund. Waigel, spotting that this year's meeting would produce no major surprises, has been wearing his other hat as leader of Bavaria's Christian Social Union to meet President Bush *and visit the Pentagon. Waigel* is very ambitious.

President Bush's tangential interest in the IMF meeting caused problems for some. Sir Kit McMahon, chairman of Midland Bank, was agonising yesterday over whether to attend a White House arm-twisting session to garner support for the debt reduction plan of the US Treasury Secretary, Nicholas Brady, or to host the Midland Bank's own reception. McMahon is not a fan of the Brady plan.

Meanwhile, there is speculation that this year's meeting may be the last for Onno Ruding, the long-serving Dutch Finance Minister and chairman of the IMF's policy-making Interim Committee.

The lengthy process of creating a new coalition Government in the Netherlands is just getting under way, and it is thought that Ruding might be unwilling to serve with the *Socialist Party*, which ha has criticised in the past for being profligate with public funds.

There is talk that he might be asked to help to run the Polish economy instead. It comes from an idea proposed by Alfred Herrhausen, the chairman of Deutsche Bank. Herrhausen has called for the establishment of a special institute to encourage the Poles move towards market economics. He suggests that a Dutchman should be chairman.

Ruding would be well qualified. In the Netherlands he has developed a reputation as a man who has a passion for austerity. And the Poles face many difficult years of that.

Queen's word

■ The late Richard Crossman has always been suspected of sightly embroidering his Diaries, and there is one passage I have always wondered about. Crossman asked a very senior *court official* whether the Queen preferred the Tory Ministers "to us Labour Ministers, because they are our social superiors". We now know that the Diary version is correct because the reply was written down at the time by Tam Dalyell, whose book on Crossman is about to be published.

After a long pause, the official replied: "The Queen does not make fine distinctions between politicians of different parties. Thay all roughly belong to the same social category in her view."

All German

■ West Germany's reserve diplomats – tha "foundations" attached to the main political parties – are moving into Eastern Europe. The Konrad Adenauer Foundation, which represents the Christian Democrats, is opening an office in Warsaw next month and hopes to follow with offices in Budapest and Moscow next year.

"We are a team."

The other hig one, the Social Democrat-linked Friedrich Ebert Foundation, opened in Moscow in January and should *shortly have a place in* Budapest and Warsaw.

Although, ideologically, the foundations are supposed to be rivals, they have a great deal in common. They are also an asset to West German diplomacy. They have state funding of about DM200m a year, operate in nearly 100 countries and – unlike the diplomats – their representatives do not have to profess political neutrality.

At the same time, they can foster, and partially finance, political parties in developing countries and emergent democracies. Over the years, both the Adenauer and Ebert Foundations have been active in tha Iberian Peninsula and Latin America. Their activities are well-known to the US political establishment, which has occasionally used them as go-betweens in such countries as Peru, Chile and Nicaragua.

The move into Eastern Europe is a sign of the times. There is a great demand for advice on how to establish democratic institutions, and for funding. West Germany can supply it from the democratic left and the democratic right, though, oddly enough, the right wing Konrad Adenauer Foundation might be the more popular. The Friedrich Ebert Foundation may have spent too much time believing that it could coax the Communists into liberalisation.

Minford's hell

■ Patrick Minford, professor of applied economics at Liverpool University and well-known monetarist, conjured up a vision of heaven and hell during Monday night'a debate at the London Business School.

In his speech opposing the motion that Britain should become a full member of the European Monetary System, Minford envisaged a heaven where Britain would not be a part of the EMS and where labour could move freely within Europe. In this heaven, he said, all the policemen would be English, the bankers *Swiss, the engineers* German, the lovers Italian and the chefs French.

However, he had a darker vision of a European hell if Britain joined the exchange rate mechanism. All the policemen would be German, the bankers Italian, the engineers French, the lovers Swiss and, God forbid, the chefs English.

In spite of this grim warning, and the able support of Enoch Powell, the assembled great and good of British industry, finance and economics voted in favour of the motion, which was proposed by John Banham, director general of the CBI, and Professor David Currie of the LBS Centre for Economic Forecasting. But it was a close run thing.

Two ways

■ Sign on the glass doors of that Baghdad hotel: "Entrance in" and "Entrance out".

Max Wilkinson on the compromise plan to privatise the UK electricity industry

A clock ticks for monopoly

John Wakeham, Energy Secretary

The deal which Mr John Wakeham, the Energy Secretary, struck with 14 electricity industry chairmen after five hours on Monday was one of those compromises which will set calculators clicking.

It could be read as an ultimatum to the industry that it must face the full rigours of competition, after a transition period to adjust to privatisation. Or it could mean that the heat has been taken off the industry and that it has been given eight years to stitch up the power market in a different shape.

Money will be made by those who judge the outcome correctly. The essence of the deal, which goes to a Cabinet committee tomorrow, is that for four years after they become incorporated (on vesting day), the 12 distribution companies will be able to hang on to all but a small and unprofitable part of their regional monopolies.

In this period the two generating companies, National Power and PowerGen, will be allowed to sell direct to only 15 per cent of each regional market, and sites consuming less than 1,000 kW will remain captive to the local distribution company. This means that during this settling down period, the door to a competitive market will be scarcely ajar.

But in the next four-year period the door will be pushed half open. The "no-go" area for competition will be reduced sharply. Only customers requiring less than 100 kW – the equivalent of 30 large electric fires – will remain officially captive. However, the two established generators will only be allowed to compete for a quarter of this market. This will mean that the suppliers remain in control of the market unless they hold prices so high that independent generators build plant to compete with them.

In practice, most distribution companies will probably be able to hang on to 70 to 80 per cent of their monopoly market until the latter part of the 1990s. In exchange, the generating companies will be granted contracts of five to eight years' duration, to guarantee that they will recover the capital costs of some 12,000 MW of their fossil fuel plant (about a quarter of the total).

After eight years, Mr Wakeham has told the industry, it cannot expect further protection. Then, it is presumed, any electricity consumer will be allowed to buy from any available supplier, with the right to use the transmission and distribution wires at a fair tariff, although even the smallest suppliers will require licences. These suppliers may be the established generating companies, independents or wholesalers, and they will be allowed to sign any form of contract for the supply of power, or buy it on the regulated spot market if they prefer.

This represents almost the opposite of the proposals which the industry put to the energy department on September 6, under which distribution companies would retain most of their franchises indefinitely, and the two generators would be rewarded for abstaining from competition with long-term contracts, which would provide them with a share of the monopoly rents.

So in some respects, the UK Government's idea for free trade in electricity is a remarkably bold vision, even though it pictures rather a distant future. It has not been attempted anywhere else in in the world on such a scale; and formidable economic and practical difficulties have yet to be surmounted. Even in the US, where most of the big electricity utilities are privately owned, a competitive wholesale market scarcely exists. Most trading is between vertically integrated monopolies in co-operative clubs ("power pools") established for mutual security and to share the benefits of closer integration. With few exceptions, outsiders are forbidden to use the transmission wires to compete for individual customers within the territory of an established monopoly.

And in spite of some strong pressures to move to a more competitive system, the US has confronted some big obstacles similar to those which have fallen across the path to privatisation in Britain.

The most intractable is the conflict between the traditional obligation of electricity utilities (on both sides of the Atlantic) to meet all demands from their customers and the economics of a free market. To be sure of meeting all demand, utilities must maintain a continuous supply of spare generating capacity, which may be a 20 per cent excess, even in peak winter periods and perhaps 50 per cent in summer. At present, captive customers must pay the cost of building this security margin.

After privatisation, the distribution utilities will be obliged to contract for a safety margin of power to ensure that they can meet demand, and regulations will allow them to pass the cost on to their captive customers. However, if some of the captives are allowed to escape into a free market, they will find generating companies with substantial spare capacity, at least for much of the year. So they hope to be able to buy cheap electricity at little more than the cost of fuel, taking a "free ride" on the plant whose capital costs have already been paid for by the captive domestic and small commercial customers.

This "free ride" would be economically justified if the system were in perfect balance: domestic consumers would then pay a premium for guaranteed supply, and industrial customers could obtain cheaper surplus power, but with less security. (This argument is elaborated in a forthcoming paper for Harvard University's Kennedy School of Government*.)

Unfortunately, the system is seldom in economic balance, so it would be difficult to ensure that captive consumers do not pay for an unfair share of the capital cost of surplus plant. Utilities also complain that they face a double risk: some customers may desert them, leaving them with the cost of excess plant. Then when supplies tighten, these same customers may return demanding their right to be supplied.

Mr Wakeham has not yet found a solution to this dilemma. However, an ingenious form of spot market now being devised for the UK system might provide a long-term answer. This will allow distributors, generators and other suppliers to trade in electricity on a half-hour basis, but only on the condition that they had paid the club membership fee in the form of a "capacity certificate" for the period. These tradeable certificates, in the form of long- or very short-term contracts with generators for the output of a particular plant, could ensure that capital costs were paid by consumers. The industry's regulator could manipulate this market by setting a very high penalty rate for any player caught out with too few capacity certificates, or by requiring suppliers to buy, say 20 per cent, more certificates than they really need.

There is still great scepticism in the industry about how this works. Monday's deal will mean that the industry will have four years to get the computer systems running and, more important, to accommodate its trading practices to this new market. In the same period the industry and the regulator will have to confront an equally difficult and neglected question: how to ensure that the charges for use of the wires do not discriminate against independent producers. As pointed out in the Harvard paper, the system of fixed charges now proposed by the National Grid Company could be discriminatory and inefficient, even though apparently fair.

Meanwhile, several difficult practical problems arise from the proposals agreed on Monday. It will be very difficult, for example, to decide exactly which customers fall inside or outside the boundary lines of 1mW or 100KW. Then in some areas like South Wales, where half the electricity load is to industrial customers, some consumers may strongly object from being denied access to cheaper power when the 15 per cent and 25 per cent quotas for existing generators are filled.

Finally, the regulator will have to watch carefully how the relationship between the two generators and the distributors develops during the cooling-off period. Under any regime, National Power, with 67 per cent of the generating capacity, will have enormous market power. The distributors will retain large monopolies even after eight years. So both sides have a strong interest in co-operating to keep prices high and freeze out new competitors. Their paper of September 6 showed one way of achieving this. Mr Wakeham has partially rejected it and given them eight years to think of another.

**Power Monopolies and the Challenge of the Market, by Max Wilkinson. Discussion paper to be distributed by the Energy and Environmental Policy Centre, JFK School of Government, Harvard University, Cambridge, Mass.*

US defence companies

When foreign owners surrender control

By Frank Cooper

The Ferranti affair has raised the difficult, sensitive and largely ignored question of British investment in US defence companies. In particular, it has revealed just how difficult it is for a British parent to have control or significant influence over a US defence subsidiary – and raised the question of the British Government's role.

The US has clear rules about foreign ownership, control or influence (FOCI) on US defence businesses. The main factors involved in a decision as to whether a business is under FOCI are:

- 5 per cent or more foreign ownership;
- Management positions held;
- The ability to influence the appointment or tenure of senior management;
- Contracts, agreements, understandings or arrangements with foreign interests;
- Indebtedness to foreign interests;
- Interlocking directorships and so forth.

In practice it becomes a matter of concern to the US when the amount of foreign owned stock is sufficient – theoretically – to elect representatives to the board of directors of the US company.

This can be mitigated if the (wholly) US board formally resolves that foreign shareholders and their representatives shall not have access to classified information and will not be allowed positions which would allow them to influence the company's policies and practices. US interests are required to own a majority of the stock; a foreign interest is not allowed to be the largest single shareholder; and minority and foreign shareholders are not allowed to form a controlling group. The chairman and chief executive of the company must be US citizens.

It follows that a substantial overseas investment in a US defence business will not meet the criteria. What happens then? A usual course would be for there to be a Voting Trust or a Proxy Agreement. In both cases, with some minor exemptions, the trustees or proxy holders have full responsibility for voting the stock and for the exercise of full management prerogatives. Foreign shareholders are insulated from the US facility; their status is that of beneficiaries at the will of the US trustees.

The trustees (all of whom must be US citizens) have no liability as shareholders and are simply required to exercise their best judgment. They have the right to act as if they were absolute owners of the stock. Their rights to consult with the shareholders are strictly limited. Any attempt by the shareholder to assert or influence any control must be reported by the trustees to the Defence Investigative Service. The trustee cannot sell, merge, mortgage, or dissolve the business or put it into bankruptcy without the consent of two-thirds of the shareholders. Other than this they have a pretty free hand.

The overseas owner of a US defence business cannot remove a trustee other than for gross negligence or wilful misconduct in office. Trustees are required to appoint management and to supervise a Visitation Procedures Agreement, an agreement as to who can visit the US business (and vice-versa). This agreement has to be approved by the Defence Investigative Service, which also monitors it.

Such an agreement does not provide, as a general rule, for the authorisation of visits by the foreign shareholder, but the trustees may approve visits in connection with day-to-day business opportunities. These must pertain strictly to purely commercial products or services; they may not involve classified contracts or executive direction or managerial matters. Under a typical agreement, at least one trustee must approve individual requests for visits.

It would be wrong to suggest that the US authorities are not helpful and constructive to overseas, particularly British, businesses which have bought US defence companies. Yet they are bound to act within the rules, which are carefully and thoroughly supervised.

To overseas investors the position could be fraught. They are wholly dependent on trustees whom they do not appoint, who are not accountable to them and who are there to look after the security interests of the US. The overseas company may own the US business but it does not have the right of hiring or firing the board and top management, nor the right to give directions about the management of the business. Its access to information is severely limited.

If any senior member of the overseas business wishes to visit the American facility he has to receive permission and the nature of the discussion can be restricted. What one might call higher general management would not be encouraged to visit frequently because of the pervasive belief that this would leave the trustees, and the American management, open to a charge of foreign influence and control. Neither the US board or the overseas board is allowed to have a director from the other.

There is no way that the investment in a US defence company which involves some kind of trustee or proxy agreement can give the management of a British investing company anything like the degree of control, influence or information that would apply to a subsidiary in Britain or in many other countries.

This state of affairs raises a series of questions. Do British companies and investors understand the risks they run because of the lack of control and the complexity of the rules? Is the British Government prepared to acquiesce in a regime of this kind with our closest ally? If the present US policy continues, is it acceptable for Britain to have a dissimilar set of rules? Should not the political, the genuine security, and the financial consequences demand that Britain should continue with its very much more open policy and that the American attitude should change?

Unless the US policy changes British investment in American defence companies will not be accident free.

The author was Permanent Under Secretary of State for Defence 1976-82.

LETTERS

The problems of a wider spread of A levels

From Mr N.C. Sebag-Montefiore

Sir, Michael Prowse's interesting article ("The absurdity of A levels," September 22) suggests that the Government simply does not understand the need for reform. Sadly, it probably understands it only too well.

If the current A level range of studies were replaced by a syllabus according to which most students took six to eight subjects, the time spent at university would have to be expanded to four or even five years in order to maintain the high standard of UK degrees. The cost to the Exchequer (and to parents) would be considerable.

Such a change would put the UK on a par with most countries in Europe where graduates usually start work between the ages of 23 and 25, and not 21-23. It would at the same time reduce the number of new graduates in any given year. At a time when graduate recruiters are having trouble attracting young people, a further shortage of graduates would certainly not help.

N.C. Sebag-Montefiore,
180 Kensington Park Road, W11

The British Library and Store Street

From Mr Kenneth Cooper.

Sir, At its meeting on September 22, the British Library board took account of the views expressed by Professor Roderick Whitfield in his letter (September 21) on the implications for the Library's Oriental collections of selling the building in Store Street where they are housed.

The board decided that the sale must go ahead in the overall interest of the future efficiency and effectiveness of the Library's services. The proceeds of the Store Street sale are needed to finance the relocation to Yorkshire of the significant parts of the Library which it will not be possible to accommodate in the new building at St Pancras.

In reaching this decision, members of the board were satisfied that while there will inevitably be some interruption to services during the move from Store Street to Orbit House, the security of the collections and future levels of service will be well maintained. The rare and valuable Oriental materials will be kept in their purpose-built protective cabinets throughout the move and stored in an air conditioned environment at Orbit House which conforms to the appropriate preservation standards.

We expect some benefits both for readers and staff from housing the Oriental collections with the India Office Library and Records and the board has asked for plans to be prepared for the storage of the printed book collections which will enable the high standards of services to readers to be sustained.

Kenneth Cooper,
Chief Executive,
The British Library,
2 Sheraton Street, W1

Trade figures

From Mr Ken Gill.

Sir, It is in keeping with Nicholas Ridley's style and approach that on the day another set of appalling trade figures appears he is involved in a political brawl with Bryan Gould (letters, September 26). Is it not time he paid some attention to what is his primary responsibility?

Since being demoted in Mrs Thatcher's reshuffle, Mr Ridley has scarcely uttered a word on the subject. He is more keen to allow the takeovers and asset stripping of companies which are fast turning Britain into a junk bond economy.

What is Mr Ridley doing to reverse the decline of British manufacturing industry? What is he doing to stem the flood of imports into Britain? When will he write a letter to the FT telling the nation how his department is going to contribute to reducing the £20 billion trade deficit?

Ken Gill
General Secretary,
Manufacturing Science Finance,
79 Camden Road, NW1

Guarantee

From Mr Maurice Healy.

Sir, No evidence has been offered by the Confederation of British Industry ("CBI rejects report urging wider guarantee on goods," September 19) to contradict market research which reveals widespread consumer dissatisfaction with existing warranties. Consumers are still unhappy about the way in which their complaints are taken up. The National Consumer Council consulted the CBI on its original proposals for a consumer guarantee, and in its revised report met five of the six objections raised on points of practicability.

Maurice Healy,
Director,
National Consumer Council,
20 Grosvenor Gardens, SW1

Bids and special resolutions

From Mr Daniel Meinertzhagen

Sir, The Government has signified that, except on the grounds of competition, it is content to see almost any British company broken up by financial engineers seeking immediate profit. Now more than ever, shareholders are either traders, index-linked automatons or short termists who often take advantage of their tax exempt status.

It is time that greater protection was given to long-term investors who are often quite content with their shares but who must suffer the penalties of capital gains tax on a successful but unwanted takeover bid.

The Companies Acts provide for special resolutions requiring a 75 per cent majority of those voting on many important aspects of company life. May I suggest that, particularly in the case when one company is formed for the sole or principal purpose of breaking up another, a 75 per cent shareholder acceptance should be required before an offer can be made unconditional? The exception to the rule might be if one of the options offered was 100 per cent equity for equity.

Daniel Meinertzhagen,
82 Old Church Street, SW3

Administration

From Mr Peter J.L. Lawrence

Sir, As a company that has needed to defend its distribution agreements against repudiation by an administrator (we may have been the party referred to in Ipe Jacob's letter, September 20), we would like to make a point on administration procedures which may not have been foreseen when the Cork report was delivered.

Mr Jacob says that in a receivership, third parties such as distributors can only claim damages as a remedy. In fact, many agreements allow a distributor to substitute other supply sources if a manufacturer goes into receivership. It is this type of remedy for failure to honour agreements that can be nullified if an administration order is granted. Rights under a receivership are then held in abeyance while the administrator tries to find a solution attractive to his client.

This situation is clearly detrimental to the distributor, who may have invested years of effort and cash in building a market for the suppliers' products and is then left in limbo.

Peter J.L. Lawrence
Chairman,
Associated British Industries,
1 Lancaster Place, WC2

New wood – every year

From Mr S.G. Kay.

Sir, John Hunt's article "Offices join the 'green' movement" (September 15) gave the impression that office workers should avoid the "destruction of 250 trees every five minutes." These are very emotive words.

Do the same office workers also have a conscience about the destruction of wheat for the bread in the lunch-time sandwich, or the oats that went into the morning's plate of porridge?

Trees are a crop which renews itself and which product paper companies tend with great care. Recycling is an excellent thing to do, but the process requires a fresh flow of new fibre as cellulose deteriorates on each pass through the cycle.

Office workers should indeed pursue economy, for paper is a unique and valuable substance – and quite costly too.

S.G. Kay,
Managing Director,
G-P Inveresk Corporation,
Caldwells Mill,
Inverkeithing,
Fife

FINANCIAL TIMES

Wednesday September 27 1989

FIRST ATTEMPT TO TACKLE CONSUMER SHORTAGES FROM THE DEMAND SIDE

Soaking up the hidden sea of Soviet cash

ONE OF the most vexatious problems of the Soviet economy is that its citizens have too much money, writes a Correspondent in Moscow.

It is known technically as a "monetary overhang" – the huge reserves of cash (estimated at Rbs460bn) which Soviet citizens have stuffed in bank accounts or under mattresses. These reserves, amounting to about a third of gross national product, would wreak havoc if they ever flooded on to the market.

Inflation is already estimated at between 5 and 15 per cent. If people started withdrawing their cash reserves, it could soar. From this point of view, the most important part of the budget announced in the Supreme Soviet on Monday by Mr Valentin Pavlov, the Finance Minister, was not the commitment to halve the Government's budget deficit, but the introduction of a bond market – a move aimed at mopping up excess liquidity by selling state bonds.

Details are not yet clear but it seems that the bonds will be long-term (15-20 years) and not, as has been sometimes suggested, involuntary or forced savings. To attract potential bond-holders, real interest rates of 2–3 percentage points above the rate of inflation will be needed, and probably other incentives as well.

The bond announcement marks a sharp improvement upon almost all previous government efforts to deal with the perennial problem of the Soviet economy – consumer shortages. Mr Pavlov's bonds represent a first effort at tackling shortages from the demand side, which could denote that a theoretical Rubicon has been crossed by Soviet planners.

But large traces of the old thinking remain. This was illustrated last month when Mr Yuri Maslyukov, chairman of the state planning agency, proposed dealing with shortages almost exclusively by supply-side measures – deep cuts in investment in capital goods to pay for increased investment in consumer goods.

Mr Pavlov has not departed from orthodoxy so far as to ignore this trend of thinking. Central government investment is to fall by Rbs23.4bn next year. Defence spending is to fall by 14 per cent to Rbs70.9bn. Resources for consumption and "non-industrial construction" will nearly double.

Further, the budget does not cut demand directly. Personal incomes are expected to rise by 9 per cent next year compared with an average rise of 5.6 per cent for the past three years. The turnover of retail trade is to increase by an unprecedented Rbs40bn, having risen by an average of Rbs15bn for the past three years. The inability to lower consumer demand directly could weaken the chances of success.

The biggest problem facing the budget is the speed at which it proposes to take the switch away from heavy industry and capital towards consumer goods. Next year is to be decisive for the Government's ambitious plans to encourage factories to switch from producing defence equipment to consumer goods. According to Mr Pavlov's plan, the production of former military goods from former military sector plants is to rise 35 per cent to Rbs40bn.

Will factories accustomed to the command economy of an army, used to making tanks or missiles to order, be able to make, say, the number of bicycles that the market needs? Even in an open economy it takes years to retool and to learn new management techniques. How much greater will be the problem for an economy which is still a largely unreformed one.

Budget debate, Page 2

Left-wing terrorists kill Greek politician

By Kerin Hope in Athens

THE ASSASSINATION of a prominent Conservative Greek deputy yesterday outside his office in central Athens cast a grim shadow over the start of a parliamentary debate to decide whether Mr Andreas Papandreou, the former Socialist Prime Minister, should be tried on bribery charges in the Bank of Crete scandal.

A local left-wing terrorist organisation, November 17, claimed responsibility for killing Mr Pavlos Bakoyiannis, 54, a journalist who was elected to Parliament with the New Democracy (ND) party in June.

Mr Bakoyiannis died in hospital after being shot in the chest and stomach by a gunman who escaped with an accomplice in a stolen car.

Angry ND supporters gathered outside Parliament while political leaders condemned the killing. Flowers were laid on the dead deputy's seat and several Conservatives wept as Mr Tzannis Tzannetakis, the Prime Minister who heads the Conservative-Communist coalition Government, promised to "block the terrorists' road, which has become a one-way road."

He was referring to the failure of successive governments to arrest any of the November 17 group which has carried out 14 political assassinations since 1975, including the killings of several American diplomats and leading Greek businessmen.

A typewritten statement found at the scene of the shooting said that Mr Bakoyiannis was killed because of his connections with the Bank of Crete's owner, Mr George Koskotas, who admits embezzling some $200m from the bank and says he sent more than $30m in cash to Mr Papandreou.

A senior Socialist deputy, Mr Giorgos Katsibardis, denied the allegation, noting that Mr Bakoyiannis resigned from a magazine publishing house when it was taken over by Mr Koskotas in 1985.

Mr Katsibardis said parliamentary investigators accepted "unsupported allegations" by Mr Koskotas as proof that the former Premier had accepted bribes. Mr Papandreou, who has denied the charges, did not attend the debate.

In tonight's vote, Parliament is expected to call for Mr Papandreou to stand trial before a special tribunal, provided that a judicial investigation confirms the charges.

Murdered Greek politician Paul Pakoyannis (right) with his father-in-law, New Democracy party leader Konstantine Mitsotakis

Commission proposes more aid for Eastern Europe

By David Buchan in Brussels

THE European Commission yesterday proposed new aid to Poland and Hungary of Ecu300m ($324m) and challenged other Western countries to match EC assistance to the two East European economies.

It also suggested that Poland and Hungary should be made eligible for loans from the European Investmant Bank (EIB) which provides soft loans, mainly to projects in the European Community. The plan was unveiled at a meeting of representatives of 24 Western industrialised countries.

The Commission is proposing that Ecu200m be set aside for Poland and Hungary out of the 1990 EC budget, with the 12 member states contributing an extra Ecu100m out of their own resources.

Mr Frans Andriessen, the Commissioner for External Affairs, said that the moves, begun at the Paris economic summit in July, to help East Europe's two leading reformist states "will succeed only if it stimulates additonal measures beyond those already planned."

Up to yesterday Western governments had promised a total Ecu271m in food aid, mainly from the EC and the US. However, a number of Scandanavian and nentral European countries have now pledged a further Ecu125m in non-food aid.

The Polish Government underlined the urgency of its needs with a memorandum asking the West to provide 900,000 tonnes of grain, 60,000 tonnes of meat and certain medicines within the next three months. It said that over the longer term it would need more than $800m to fund imports of agricultural and food processing machinery.

The Commission also said it would propose improvements to the terms of the trade agreements it signed only last week with Poland and last year with Hungary, and extension to both countries from next year of the generalised system of preferences (GSP), normally given to developing countries.

Particularly significant to agriculturally-efficient Hungary, but not to food-short Poland, might be greater sccess for food products, although the Commission noted it would have to take EC states' "sensitivities" in this sector into account.

The aid co-ordination effort by the 24 countries, which include nearly all members of the Organisation for Economic Co-operation and Development, is separate from any discussions concerning Poland's $40bn debt and Hungary's smaller debt, although for the first time representatives of the IMF, the World Bank and the Paris Club of official creditors attended the meeting.

EC governments are expected to giva their first considered reaction to the Commission's latest proposals when their foreign ministers hold their regular monthly meeting next week.

UK £2bn trade gap surprises markets

By Simon Holberton in London and Peter Norman in Washington

UK share and government bond prices fell sharply yesterday after official figures showed that Britain suffered a current account payments deficit of £2bn ($3.2bn) in August.

The figures, which suggest the UK might record a £20bn deficit for the year as a whole, were some £500m worse than the markets had expected. The August gap was the third largest on record, and July's was revised from £2.1bn to £2.2bn.

City analysts said the magnitude of the trade deficit allowed the Government no room to lower interest rates. Some thought the continued buoyancy of spending, as indicated in the import figures, meant there was a risk interest rates might have to rise again.

At its regular mid-day money market operations, however, the Bank of England sent a strong signal to the markets that it did not want higher rates. The Halifax, Britain's largest building society, said it would try to keep its mortgage rates for home loans steady.

The FT-SE 100 Share Index ended 23.5 points down at 2,336.1, while prices for long-dated government stocks, gilts, closed more than a point lower to yield just over 10 per cent.

Sterling, which is seen as the key to any rise in domestic UK interest rates, remained firm. It initially fell by a cent against the dollar, and a pfennig, but recovered most of those losses to close in London at $1.6085 and DM3.0650. With central bank action to drive the dollar down dominating currency markets, dealers said sterling was largely sidelined.

It is clear that Mr Nigel Lawson, Chancellor of the Exchequer, underestimated the extent of Britain's trade deterioration when he framed his March Budget, forecasting this year's deficit would be £14.5bn. Treasury officials said the latest figures would force an npward revision of the estimate.

In Washington yesterday at the International Monetary Fund meeting, Mr Lawson said he had always made it clear the current account would be one of the last indicators to show an improvement.

Mr Lawson added that reducing inflation was the Government's main priority.

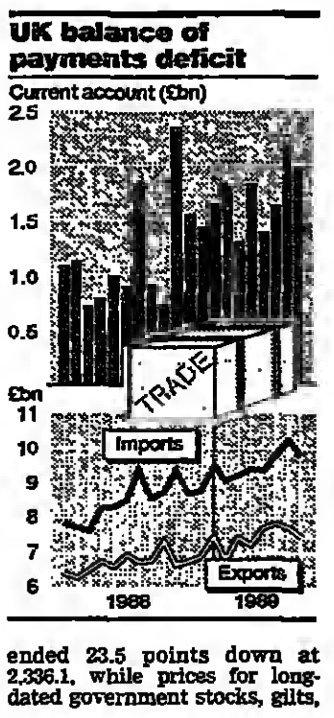
Mr Bryan Gould, the opposition Labour Party's Trade and Industry spokesman, said the figures were the worst economic news for many years and warned there was now a real danger of further interest rate rises.

The Treasury said the behaviour of retail sales, the housing market and the recent fall in inflation were indications that the Government's policy of high interest rates was working. It said the trade account would improve as the UK economy slowed further and industrial capacity came on stream.

Britain's physical trade balance in the first eight months of the year was £16.6bn. An estimated £2.8bn of invisible earnings from trade in services and receipts of income from abroad produced a current account deficit for the same period of £13.7bn.

Background, Page 8, Government bonds, Page 28, London stocks, Page 37

UK balance of payments deficit



Arthur Andersen, Price Waterhouse call off talks

Continued from Page 1

outset, the two had gone to the trouble of holding talks.

Mr Brandon Gougb, chairman of Coopers & Lybrand, who in July condemned what he labelled the "King Kong" philosophy behind the merger, said: "We had done a lot of work gearing ourselves up for life after the merger and that is to some extent wasted. But we never saw it as a foregone conclusion."

Ernst & Whinney merged with Arthur Young earlier this year to form Ernst & Young. Deloitte, Haskins & Sells and Touche Ross, firms which went into talks on the same day as Andersen and PW, said that their own discussions were continuing.

Andersen and PW said they were confident of their business strategies and not embarrassed at the outcome.

BAT unveils plan

Continued from Page 1

and the other consisting of the Wiggins Teape and Appleton paper business.

● The US retailing companies, taking in Saks and Marshall Fields, and the interests in West German retailer Horten, Eurotec (a plastic mouldings business) and VG Instruments, the UK quoted company where BAT has a 69 per cent stake, would be sold.

● Approval would be sought for a buyback of 10 per cent of BAT shares.

● The group would recommend a further dividend of 20.7p a share in 1989, giving an increase for the full year of 49 per cent against 1988. Of this, 10.3p will be paid in the form of a second *interim next February*. The reshaped group will have reduced dividend cover, in the 2 to 2.5 times range.

● The reshaped gronp will concentrate on financial services and *tobacco*.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	23	73	Dubrovnik	S	24	75	Malta	F	27	81	Rhodes		–	–
Algiers	S	30	86	Edinburgh	C	13	55	Manchester	C	18	81	Rio de J'o	R	39	102
Amsterdam	S	18	64	Faro	S	25	77	Manila	F	33	91	Rome	R	21	70
Athens	S	25	77	Florence	F	24	75	Melbourne	F	13	56	Salzburg	C	14	57
Bahrain	S	35	95	Frankfurt	S	17	63	Mexico City	C	20	70	San Francisco	F	14	57
Bangkok	F	33	91	Funchal	F	23	73	Miami	C	27	81	Seoul	C	22	72
Barcelona	F	26	73	Geneva	S	18	64	Milan	F	19	66	Singapore	F	30	86
Beirut		–	–	Gibraltar	S	23	73	Montreal	F	12	54	Stockholm	C	16	61
Belfast	C	16	81	Glasgow	Dr	10	50	Moscow	C	13	65	Strasbourg	S	18	64
Belgrade	S	23	73	Guernsey	C	17	63	Munich	C	13	55	Sydney	C	14	57
Berlin	F	18	64	Helsinki	S	16	61	Nairobi	C	20	68	Taipei	F	35	95
Biarritz	S	19	66	H Kong	S	31	88	Naples	F	26	79	Tangier	S	27	81
Bombay	C	30	86	Innsbruck	F	15	59	Nassau	–	–	–	Tel Aviv	F	28	82
Bordeaux	S	22	72	Inverness	F	16	61	New Delhi	S	32	90	Tenerife	S	26	79
Brussels	F	19	66	Islamabad	F	32	90	New York	R	17	63	Tokyo	S	27	81
Budapest	F	22	72	Istanbul	S	22	72	Nice	F	21	70	Toronto	F	10	60
B. Aires	F	17	62	Jakarta	C	33	91	Nicosia	F	26	79	Tunis	S	30	86
Cairo	S	30	86	Jersey	F	19	66	Oporto	S	22	72	Valencia	S	27	81
Cape Town	S	26	79	Jo'burg	S	20	68	Oslo	S	15	59	Venice	F	22	72
Caracas	F	27	81	Lima	C	19	66	Paris	F	19	66	Vienna	F	20	68
Casablanca	S	23	73	Lisbon	S	26	79	Peking	R	13	55	Warsaw	S	20	68
Chicago	F	7	45	London	F	19	66	Prague	C	17	63	Washington	C	16	61
Cologne	C	17	63	Los Angeles	F	18	64	Reykjavik	R	4	39	Zurich	F	15	59
Copenhagen	F	15	59	Luxembourg	S	20	68								
Corfu	S	30	82	Madrid	S	27	81								
Dallas		–	–	Majorca	F	26	79								
Dublin	C	16	61	Malaga	S	28	82								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Central banks act to push dollar down

Continued from Page 1

and sent the dollar below its previous resistance level of DM1.90, but it was only marginally successful.

Fundamental sentiment supporting the dollar remained strong, traders said, and there was some buying at the lower levels. By the close of trading in London the dollar was 1.7 pfennigs lower at DM1.8885 and Y0.75 down at Y141.90.

The intervention was at its heaviest during the afternoon. The US Federal Reserve, the Bank of Japan, the West German Bundesbank and the Bank of England sold dollars in several waves in New York and in the European markets.

The central banks hope that by driving the dollar down further they will be able to restrict any subsequent recovery. They are aware that the big institutional investors may return to the markets to buy dollars once the present round of intervention is over. This pent-up demand is causing concern and explains why the dollar was sold so aggressively yesterday.

Some currency analysts are predicting that the pressure will not be taken off until the dollar drops to DM1.85. However, there is a feeling that intervention alone may not be enough to curh its advance without a rise in West German or Japanese interest rates.

The pattern of the day's intervention, with considerable selling of dollars for yen, suggested that the central banks are trying to boost the value of the Japanese currency. A firmer yen would help to ease the inflationary pressures in Japan in part created hy the strong dollar.

THE LEX COLUMN

BAT picks up the ball

The chief puzzle about BAT's restructuring is how much value it actually adds. To an extent, the plan is mere tinkering: just 12 per cent of the group in profit terms to be floated and a further 10 per cent sold, while the grand strategy of converting tobacco cash flow into insurance remains obstinately in place. Splitting a share into its constituents need not add to its value; and as for increased dividends and share buy-backs, any business school will tell you that a company's market value is in theory unaffected by both its dividend policy and its capital structure.

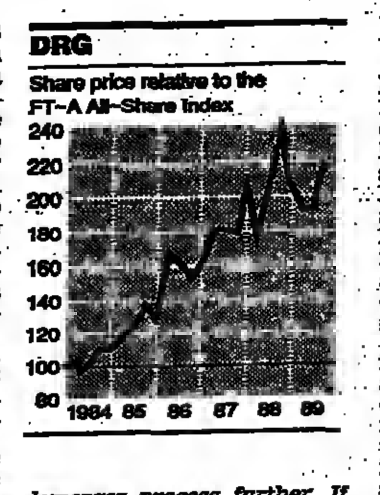
In fact, there should be value in the fact that Argos and the paper companies are to be floated in their entirety, thus leaving them open to takeover and consequent valuation on an industrial rather than stock market basis. But once the flotations are complete, that value leaves the company. And while Hoylake now assumes that US clearance for its bid will only come after these deals are through, it still claims to want the remaining tobacco and insurance business.

That business will then be wholly reliant on its higher payout policy to get the price up. The payout may add value, but only if the cash comes from a genuine change in investment policy. This is perhaps the nub of the matter. While BAT naturally claims that its basic strategy on financial services remains intact, the plan to splash out on a big European insurance acquisition seems to have been abandoned in the face of shareholder pressure.

If the tobacco cash flow is not to be spent in this way, there seems little choice but to return it to shareholders. BAT claims that the growth in financial services will soak up the excess; but without major acquisitions, the likelihood is that the insurance business will not only be slow-growing, but will generate cash in its own right. The new BAT will thus find itself in the same position as if it had stayed a pure tobacco company in the first place.

But there is no guarantee that the process will stop there. The three insurance companies would be worth billions more separately than combined in a US-biased composite group with a tobacco sideline. If Hoylake bids again for the new group, there is a clear implication that BAT is prepared to take its own demerger process further. If the company thus ended up – say – as a privately-owned tobacco manufacturer, Hoylake would be left only with the intellectual satisfaction of having won the argument.

On the other hand, BAT's existing shareholders would have profited very handsomely on the way. They have nothing to lose from the restructuring proposed so far, and everything to gain. The real question is not whether they will be satisfied with what BAT is doing so far; it is whether they can rely on Hoylake to keep up the pressure.



DRG

It is tempting to dismiss a leveraged bid backed by Roy Disney as a Mickey Mouse deal, especially when Roland Franklin, the main protagonist, says he is unsure which of DRG's core businesses to sell and which to keep. But the Pembridge group seems to be in deadly earnest; it has, after all, acquired nearly a quarter of the equity and is offering good, old-fashioned cash.

A cash offer may also make investors less inclined to worry about where Mr Franklin's company is registered and the nature of his motives. The central question is whether DRG is worth more than 590p per share. The evidence seems to be that it is, even if one declines to put the company's property profits on a trading multiple. Putting an exit rating of 15 on the trading earnings of 40p per share brings the price to 600p, and a present value of 30-70p per share can be added for the property assets. Given the size of Pembridge's opening stake, DRG may well be tempted to bring in a white knight; one suspects this could suit Mr Franklin and his band of investors just as well as trying to sort out the company themselves.

Markets

The most remarkable thing about the market reaction to yesterday's trade figures was the steadiness of sterling. This will have resulted partly from the foreign exchange market being distracted by the dollar and partly from the greater likelihood of higher base rates. The brunt of this was felt in gilt futures, which fell by over a point; short-term money also crept back over 14 per cent; the implication being that while a rise in rates is not assured, the risk is all upwards.

The fact that the FT-SE fell by a mere 24 points owed something to sterling's calming influence, and also to the early strength of Wall Street – itself due in large part to the reversal of dollar strength. But it is difficult to see UK equities staging a quick recovery, especially if bid activity is dying down. In an economy characterised by high short-term interest rates and the threat of recession, the weight of money argument risks losing its force; perhaps cash is precisely where the investor wants to be.

British Airways

BA's rights issue had been well trailed, so the market was able to treat it with equanimity – even though it appears to be a blank cheque if the UAL deal falls through. But though regulators move in mysterious ways, the consensus appears to be that the deal is unlikely to be blocked, although it could be amended.

It will take a while before the UAL deal has any effect on BA's share price, since the policy of taking the UAL preference dividends above the line, even though they will be immediately reinvested, means that earnings will not be diluted in the short term. The tax and balance sheet efficient convertible issue may be so attractive that it will divert investors from buying the ordinary shares themselves. In the longer term, BA obviously has a higher risk/reward profile; a highly-leveraged US airline is a vulnerable company in a recession, whatever the concessions made by the employees. But if UAL pulls through the next five years, the return on BA's investment will be mouth-watering, leaving aside the strategic benefits of joining the big airline league.

SECTION IV

FINANCIAL TIMES SURVEY

The causes behind yesteryear's management grey hairs have subsided and, with some exceptions, an air of normality now prevails. As **Andrew Gowers** writes, rationalisation and a clearer definition of their markets are the issues confronting Arab banks

Numbers game: Kuwait Stock Exchange where share prices are limping along at 40 per cent of their 1983 values and, above right, a dealer on the floor

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Cover pictures:Tony Andraws

ARAB BANKING

Not yet out of the woods

AS IT looks towards the 1990s, the Arab banking industry is experiencing a curious mixture of relief and unease: relief that the current dismal decade is drawing to a close; but unease at the prospect of different, and perhaps more complex, challenges in the decade ahead. It is as if, having emerged from one lot of woods, bankers see another forest straight in front of them.

Enough has certainly happened in the past 18 months to chase away the gloom that pervaded the industry in the mid-1980s. Oil prices have stabilised at a reduced but predictable level, and look set to rise steadily if unspectacularly in the 1990s. The guns are silent between Iran and Iraq, raising the possibility of an eventual upsurge in reconstruction business. New projects are moving ahead elsewhere in the Gulf.

The stock markets, whose crash on October 19 1987 hit Arab institutions like everyone else, are back close to all-time highs. And most Middle Eastern banks are well on the way to bringing their provisions for risky Third World loans and their capital up to internationally-respectable levels. What is more, profitability has improved markedly in such key banking markets as Saudi Arabia.

This is not to say that the problems which generated so many management grey hairs in the past few years have been overcome. For one thing, Arab bankers are uncomfortably aware that the Brady plan for resolving the sovereign debt crisis will almost certainly force them – like other banks – to make another costly round of provisions for loan write-downs. For another, they are still casting around for business, since the anticipated reconstruction spree in Iran and Iraq has so far conspicuously failed to materialise, and there would be no prospect of another infrastructure boom in the Gulf even if oil prices were to climb sharply.

If they were tempted to try and forget about recent troubles, there is always the odd painful reminder: last year's collapse of Al Saudi Banque in France, for example, the seven-year-old financial mess still being cleared up in Kuwait, or the protracted problem of Iraqi debt. Nor can they completely ignore the perhaps terminal crisis being experienced by Lebanese banks in the latest and bloodiest phase of fighting around Beirut, or the series of shocks experienced by the banking system in Jordan.

But with these exceptions, at least an air of normality has returned, an atmosphere in which bankers no longer have an excuse for simply practising crisis management and can collect their thoughts about the underlying issues facing their institutions. It is these thoughts themselves that are giving cause for fresh disquiet.

The questions Arab banks are now asking themselves fall into two essential categories: those concerning bank ownership and management, and those concerning the markets they aim to serve.

As far as bank structures are concerned, the most obvious point is that there are far too many of them. Such bank mergers as have been forced in some Arab countries by the economic downturn have merely nibbled at the edge of this surplus capacity problem. The result is a proliferation of often poorly-managed and under-capitalised institutions that are unable to come to grips with basic commercial challenges – still less with the problems of establishing a serious international presence.

Even the strongest of Arab banks have difficulties in defining their target markets. From the earliest days, perhaps their biggest problem has been the lack of a natural regional market in which to operate. While many Arab institutions pay ample lip service to the idea of serving the wider Arab world, they have found precious few profitable business opportunities outside the Gulf.

Commercial banks were long ago nationalised in Syria and Iraq. They have been allowed gingerly back into Egypt in the past few years, but remain stifled by the country's bureaucracy and by its overwhelming economic problems. Only a few Arab countries have made progress towards developing viable financial systems to encourage saving and investment.

Even in the Gulf itself, most banking markets remain highly protected. Whatever ambitions Gulf International Bank and Arab Banking Corporation may harbour in Saudi Arabia, for example, it is hard to see the authorities allowing them to establish e sizeable presence alongside increasingly sophisticated home-grown institutions.

The Arab world is also a long way from generating entirely indigenous business of the kind which Arab banks do best – namely trade finance. Total pan-Arab trade does not exceed 7.4 per cent of Arab trade as a whole, according to Mr Abdulmajeed Shoman, chairman of Arab Bank.

There are signs, however, that some Arab countries with serious economic problems are beginning to pay attention to the benefits of free markets and freer trade. Partly in response to what is perceived as the challenge of the Single European Market, Arab countries are forming themselves into economic and political sub-groupings: in the past year, the six-nation Gulf Co-operation Council has been joined by the Arab Co-operation Council, comprising the unlikely partners Jordan, Iraq, Egypt and North Yemen, and in North Africa by the Arab Maghreb Union.

Bankers are watching events in Morocco, Tunisia, Algeria and Jordan especially closely. All these countries have embarked on painful economic reform programmes, some of which are already bearing fruit. Foreign banks are establishing themselves in Algiers and there has recently been an influx of Arab banks into Tunis.

All the same, an Arab 1992 seems about as inconceivable as economic integration would have done in Europe before the Second World War. Beyond the Gulf, there is little sign that the massive capital flight of recent years is being reversed. The Gulf countries themselves, though committed to free enterprise up to a point, are still far from creating viable local capital markets. As for Iraq – the big prize for many Arab bankers – it remains weighed down by a foreign debt of at least $65bn and by the dead hand of state control of the economy, recent privatisation gestures notwithstanding.

Such opportunities as there are in the Gulf region, therefore, seem likely to be confined to two areas for the foreseeable future: first, the familiar line of project finance – the large Qatar North Field gas development, for instance, Bahrain's aluminium smelter expansion, and a variety of industrial ventures in Saudi Arabia; and second, the relatively new business of balance of payments lending to Arabian peninsula governments.

It is the latter that has set bankers' adrenalin racing in recent months, following the first dollar borrowing by the Saudi Government since the late 1950s, a syndicated loan raised by Qatar and a return to the market by Oman. Should oil prices hover around current levels for some time, many bankers expect Saudi Arabia, which has consistently run budget deficits for the past few years and has substantially run down its liquid foreign reserves, to be back for more.

Such business, however, is likely to remain modest considering the number of banks that will be competing for it. In considering how to expand, Middle Eastern institutions still tend to focus on the need to follow trade and investment flows into Europe, the US and to e more limited extent the Far East.

The biggest Arab banks have perforce developed international aspirations and a presence in such financial centres as London and New York because of the small size of their individual home markets. The problem is that relatively few of them have devoted sufficient thought to exactly what they should be doing there. Stock responses to questions on this subject tend to revolve around trade finance, looking after domestic customers abroad and investing their disposable funds in the West. In only a minimal number of cases does this amount to a coherent international strategy.

One important indication of the distance Middle Eastern institutions have yet to travel before they can truly be considered members of the international big league is their inability to attract a respectable proportion of Gulf government investment funds.

While Arab banks have had some success in attracting private sector funds for investment in Western markets, their own governments have shown much less confidence in their financial skills: Mr Ibrahim Dabdoub, generel manager of Netional Bank Kuwait, estimates that of $200bn of public and private funds now managed by banks only $10bn is in the hands of Arab banks. To secure more, be knows that his institution's performence has to rival the best in the West. And that implies the need for further substantial growth.

Yet abroad, tbe challenges are every bit as daunting as at home. Not only are international financial markets changing at a breath-taking pace, but also the legislative environment – from capital adequacy rules to trade barriers – is being substantially reshaped. It is an arena where only the strongest and most nimble will survive. Nevertheless, if there is one overriding source of unease among Arab bankers, it is the fear of being left out of the developing new financial order.

Despite fierce competition and an over-crowded market, Arab banks are still anxious to expand into Europe, writes **Andrew Gowers**

A Middle Eastern influx that defies explanation

ONE of the more puzzling features of Arab banking these days is the continuing influx of banks from the Middle East into Europe, and especially the UK.

The market is almost unanimously acknowledged to be heavily over-crowded already, with more than 40 Arab banks operating in London. Trade and investment flows between Europe and the Middle East are not showing substantial growth, so competition for existing business is fierce. Indeed, it has been tough enough in the last few recessionary years to persuade a number of Arab institutions to cut their losses and either wind down their London presence or pack up altogether.

Yet for every bank that has quit or scaled down its operations, there has been at least one newcomer anxious to expand. Saudi banks – long prevented from moving abroad by their ultra-cautious regulator, the Saudi Arabian Monetary Authority – have, for example, established a solid though not always terribly active presence in recent years.

One of them, the Citibank joint venture Saudi-American Bank, has been expanding aggressively, changing its representative office into a branch two and a half years ago and setting up an investment management unit last year to cater largely for Saudi customers.

New banks from other parts of the Gulf are also continuing to arrive. In the past year alone, three Kuwaiti banks and one Bahrain-based offshore banking unit have established new offices or subsidiaries in London.

This flurry of activity prompts sceptics to wonder if all the new entrants have thought through the commercial reasons for coming to London. Many observers find it hard to see how the Kuwaiti banks, which will be slugging it out for the same business with the well-established National Bank of Kuwait and with the locally-incorporated consortium United Bank of Kuwait which they themselves jointly own, can hope to make money there.

1992 has provoked a *bout of soul-searching* among Arab banks with international *pretensions*

Some mischievous spirits speculate that the new branches have as much to to with bank chairmen's desire to be molly-coddled during their visits to Europe as with considered commercial strategy.

Such confusion is not new. Ever since Arab banks began venturing into the international arena in the 1960s and 1970s – armed with large amounts of capital but little home-grown expertise – they have encountered difficulties defining their role. What gives the task much greater urgency today is the rapid pace of change in Europe in the run-up to 1992.

The approach of the Single European Market has helped to trigger off an intense bout of soul-searching among Arab banks with international pretensions. With differing degrees of clarity, all of them realise that there are likely to be both opportunities and risks in a more integrated but also more exclusive Europe. The question is whether they will be in a position to exploit the former or equipped to cope with the latter.

"I'm not sure how many Middle Eastern banks have positioned themselves for 1992," said one seasoned Arab banker in London. "They're worrying about it, but I'm not sure that many have strategies to capitalise on it."

The banks' focus on Europe might seem something of an anomaly, given the greatly increased economic importance of Japan and the Pacific Rim, an area where Arab banks are woefully under-represented. Partly because of licensing problems, Al-Ubaf, the Paris-based Euro-Arab consortium bank, is the only Arab institution with a full branch in the Japanese capital; its operation there claims to finance 7 per cent of all trade between Japan and the Arab world, and is highly profitable.

Other banks such as National Bank of Kuwait, the big two in Bahrain and Amman-based Arab Bank are also doing nicely out of their Asian branches – principally in Singapore.

Nevertheless, for historical, commercial and in some cases sentimental reasons, Europe remains a central preoccupation for many Arab bank managements. The Community is still the Middle East's principal trade partner – absorbing around $40bn worth of exports a year – and a main focus for public and private sector investments. It is not surprising that Arab financiers find the prospect of radical change in this market more than a little unsettling.

The chief fear haunting many Middle Eastern institutions is that the legislation now being hammered out in Brussels signifies a more inward-looking European Community, a "Fortress Europe" in the sphere of finance as well as trade.

The EC is still the Middle East's principal trade partner – absorbing around $40bn worth of exports a year. It is not surprising that Arab financiers find the prospect of radical change in *this market more than a little unsettling*

It is already clear that the principle of reciprocal access – whereby the EC will make its treatment of foreign banks dependent on the treatment of EC financial institutions in their countries of origin – will play an important role in post-1992 legislation. This could eventually pose problems for banks from countries which prohibit foreign banks from establishing branches, such as Kuwait and Saudi Arabia.

It is also likely that in order to qualify for a single banking license that will be valid in all EC states, foreign banks will have to have locally-registered subsidiaries rather than branches or representative offices.

But in a way the specific legislation is less important than the economic effects of a unified market. How you view these depends on whether you work in investment or straightforward commercial banking. To the growing community of Arab investment banks practising in Europe and to private investors who have shed their traditional aversion to taking direct stakes in Western businesses, 1992 looks more like a powerful tonic than a protectionist hurdle.

Sensing the potential for cross-border corporate growth, Investcorp, the Bahrain-based specialist bank that has won widespread plaudits for its success in channelling Gulf funds into Western equity, has shifted its principal focus from North America to the EC. The stakes it has taken in such companies as Gucci of Italy, Chaumet of France and Mr Harry Goodman's International Leisure Group in Britain have been well-publicised, and it is looking for more buy-out opportunities, notably in West Germany.

"Europe is a rich turf for the type of business we look for: family-oriented companies looking for capital to grow," says Mr Michael Merritt, a member of the bank's 16-man management committee.

Other banks seeking to boost their investment business are not far behind, using strategic alliances with European corporate financiers or merchant banks as their entree. Bahrain Middle East Bank, for instance, is building up its link with Hambros of London through a newly-established London subsidiary. Bahrain International Bank, another of the island's offshore banking units which lost its original role with the downturn in regional commercial activity, has formed a similar connection with the Matuschka corporate finance group in Munich. The funds it provides are being used to buy small and medium-sized West German companies.

It is not just on northern Europe that eyes are fixed. Increasingly, Arab investment bankers are turning their attention to opportunities in the growing economies that have recently joined the EC and are either undergoing or set for restructuring, Spain and Portugal.

For the fragmented community of Arab commercial banks, 1992 is undoubtedly a more complex challenge. Few doubt that the European banking industry will in coming years go through the same process of rationalisation already being witnessed in other EC businesses. The result will be a collection of bigger, better-capitalised European institutions, against which only a very few international Arab banks will have the size, capital strength or connections to compete.

"We can anticipate a period when all European financial centres are even more overbanked than they are today," wrote Mr Peter Taplin, chief executive of Al-Ubaf in London, in a recent issue of the industry magazine *Arab Banker*. "This means that competition in any European country is likely to be particularly intense for several years. It makes it all the more important that Arab banks have established themselves in their particular niches, so that they may not be too easily dislodged."

The activity prompts sceptics to wonder if bankers have thought through the reasons *for coming to Europe*

This has far-reaching implications for any bank that wants to maintain a substantial presence in such core businesses as trade finance. Even the private investment market, though still awash with funds, is not limitless.

Those internationally-minded banks without a natural home market or domestic deposit base may therefore need to shore up their presence in Europe via acquisitions. Arab Banking Corporation, the Bahrain OBU, already has a large stake in the Spanish retail banking market in the form of Banco Atlantico. Its smaller peer, Gulf International Bank, has likewise been hunting for a vehicle in the EC for some time, apparently without success.

For those that already have a spread of European subsidiaries and branches, it means rationalisation. Banque Arabe et Internationale d'Investissement (BAII), a consortium bank, has set out down this route by concentrating ownership and management in Paris and turning its erstwhile London subsidiary into a branch.

ABC is thinking bigger: it has asked its shareholders – Libya, Kuwait and Abu Dhabi – to approve a $250m capital increase, via an offering of shares to private investors, in order to help finance the consolidation of its London, Paris and Rome branches into a separately-capitalised European subsidiary.

Beyond such moves – and a lot of idle talk about "niches" – there is not much sign that many Arab banks have devoted deep thought to the strategic implications of the Single Market. Some have been too wrapped up in their bad debt and bad management problems to do so. Others are simply too small to be credible competitors in Europe and appear to be "going international" pretty much for its own sake. Sooner or later, they will have to come up with a better reason for being in Europe.

Volume of syndicated loans to Arab countries ($m)

	1986	1987	1988
Algeria	1,234.1	840.8	392.9
Bahrain	110.4	90.5	190.0
Egypt	11.4	-	-
Iraq	-	32.1	127.8
Jordan	20.0	268.6	165.0
Kuwait	50.0	26.5	110.0
Lebanon	14.9	-	-
Morocco	-	50.0	130.0
Oman	500.0	-	100.0
Qatar	100.0	-	-
Saudi Arabia	176.1	42.7	-
Syria	-	-	-
Tunisia	164.7	-	8.9
UAE	650.0	110.0	-
North Yemen	50.0	-	120.0
TOTAL	3,081.6	1,461.0	1,344.6

Source: Arab Banker

Foreign bank deposits by private residents (non-bank) in countries outside residence of depositors

$b	1981	1982	1983	1984	1985	1986	1987	1988*
Algeria	0.55	0.51	0.51	0.49	0.67	0.81	0.88	0.92
Morocco	0.58	0.40	0.44	0.52	0.64	0.71	0.61	0.74
Sudan	0.36	0.35	0.40	0.38	0.54	0.52	0.58	0.62
Tunisia	0.15	0.15	0.13	0.20	0.18	0.22	0.25	0.24
Egypt	1.59	2.19	2.12	2.42	3.37	3.10	3.34	3.99
Jordan	0.65	0.72	0.76	0.76	0.80	0.90	1.23	1.34
Lebanon	4.27	4.36	5.02	5.39	5.77	6.60	7.02	7.33
Syria	0.79	0.71	0.88	0.99	1.09	1.14	1.33	1.36
YAR	0.11	0.17	0.22	0.28	0.34	0.26	0.33	0.34
PDRY	0.01	0.02	0.04	0.02	0.04	0.05	0.06	0.09

*Third quarter figure

Source: Arab Banker

FRANCE

Paris picks up the pieces

FOR THE Arab banking fraternity in France – and for many of those dealing with it besides – the past 18 months have been one long series of unpleasant surprises.

First came the collapse of Al Saudi Banque, a medium-sized institution with largely Saudi owners, in the summer of 1988, and the subsequent controversial process of rescuing it from bankruptcy. Hard on its heels has come a spate of problems among Lebanese-owned banks in Paris, with no fewer than three closing down by order of the authorities since the beginning of this year.

The two affairs are not related and spring from different causes. But they have severely shaken the French banking world, which had long prided itself on its apparent immunity from bank failures.

For a while at least, the insolvencies prompted a crisis of confidence surrounding virtually all Arab banks operating in Paris at a delicate moment in their efforts to restructure their balance sheets. They also hold pertinent lessons for French and other Western regulators in their future approach to banks from the Arab world – in particular concerning questions of capital adequacy and ownership.

Al Saudi Banque was set up in Paris in 1976 by a group of Arab shareholders. A complex ownership structure involving companies in Luxembourg, Curacao and Rotterdam served to conceal the bank's true owners, but it was an open secret among Middle Eastern bankers that they were closely linked to the Saudi royal family. After plunging headlong into the business of recycling petrodollars to Third World debtors in the late 1970s, the bank was left with a mountain of poor-quality loans, amounting to FFr 2.5bn by the time of the collapse. Worse, because of a refusal by the shareholders to pump in more money, it had an inadequate capital base.

In May of last year, the Banque de France froze all deposits in Al Saudi by the French banking community, and set about trying to arrange a rescue on the grounds that if the bank were allowed to go under it would damage Paris as a banking centre. This is almost certainly only part of the story: the authorities were also worried about the impact of a collapse on Thomson CSF, the electronics group which had deposited FFr 400m in Al Saudi only days before, and on Saudi-French financial relations.

Whatever the reason, the authorities went to extraordinary lengths to save Al Saudi. In October 1988, Banque Indosuez, the banking subsidiary of the newly privatised Suez group, and Thomson took over management of the bank, injecting some FFr 600m to bump up its capital. Al Saudi's creditors were asked to forgive 20 per cent of their outstanding loans.

Most controversially, French banks and French subsidiaries of foreign banks were "persuaded" by the Banque de France to advance FFr 1.6bn in interest-free loans to the troubled bank. To their fury, bankers with no Saudi connection whatsoever chipped in to help, while Al Saudi's original shareholders bore less than their full responsibility.

Indosuez itself did not have a centime in Al Saudi at the time, but was motivated to act by concern for the well-being of its joint venture in Riyadh Bank Al Saudi Al Fransi among other considerations. In July, it completed the restructuring by merging Al Saudi with its 95 per cent owned subsidiary Banque Libano-Francaise, seconded an Indosuez executive to head the new institution, and renamed it *Banque Francaise de l'Orient*.

The bank, 65 per cent of which is now owned by Indosuez and Al Saudi Al Fransi combined and a further 30 per cent by the Mediterranee company of Saudi-linked Lebanese financier Mr Rafiq Hariri, is setting out, armed with large provisions, to focus on commodity and trade financing, treasury business, private banking and real estate.

Capital problems of a different kind have plagued the three Lebanese banks that have run into trouble this year. First to be closed by the regulators in March was Banque de Participations et Placements, controlled by the Lebanese Intra group of Mr Roger Tamraz. Following the collapse of the Intra group late last year and Mr Tamraz's disappearance from Lebanon, where he is wanted on various charges, BPP was discovered to have run up a deficit estimated at FFr 200m.

Proposals to relaunch the bank were accepted earlier this month by a French commercial court. The new owners – a financial services group based in Nantes, backed by an association of former BPP customers – have undertaken to repay FFr 20m to the French Banks Association, which had paid out to some stricken customers, and to reimburse 60 per cent of customers' deposits within five years.

Next to fall in May was United Banking Corporation, formerly Saudi Lebanese Bank, which needed a capital injection of FFr 400m to meet regulatory requirements. Finally in July, the Banque de France appointed a judicial administrator for Lebanese Arab Bank, facing the need for a FFr 200m capital injection to meet provisions on doubtful loans.

All three of these banks – which largely served Lebanese clients in France – are casualties of the Lebanese conflict. Strictly speaking, their troubles should therefore not be bracketed with the Al Saudi debacle. But it is scarcely surprising that the reputation of Middle Eastern banks in Paris as a whole has been tarnished by recent events.

"We have experienced negative attitudes from some bank treasurers, especially in Paris," says Mr Philippe Masson, chief operational officer at Banque Arabe et Internationale d'Investissement (BAII), one of the country's two main surviving consortium banks. "But we had the freedom of manoeuvre to replace funds we lost from other sources such as London and New York."

No doubt this is all an overreaction to the local problems of Arab banks. French officials have gone out of their way to emphasise that most Middle Eastern institutions in Paris – including the six or so other Lebanese banks there – are solidly managed and well-capitalised.

BAII and its fellow-consortium bank, Al Ubaf, have been working particularly hard to rid themselves of the festering problem of LDC debt. BAII has transferred potential problem loans worth $400m to a Panama-based holding company, Euroloans, which is now owned directly by BAII shareholders. Since some Arab shareholders did not want to take on the loans, this has had the by-product of increasing the proportion of BAII shares held by non-Arab investors.

Al Ubaf is finalising a similar arrangement in order to obviate the need for a further hefty bout of provisioning and a capital increase from its multiple shareholders. The other old consortium bank, Frab, is now secure as a wholly-owned subsidiary of the National Bank of Kuwait.

But the recent jitters do emphasise the need for Middle Eastern institutions in Paris and elsewhere to tread carefully as they prepare to meet the challenges of post-1992 Europe. As for the authorities, it is a safe bet that they will think twice before mounting another Al Saudi-style rescue.

Andrew Gowers

ISLAMIC BANKS

Faithfully pressing ahead

WHEN a number of Egyptian investment companies collapsed last year, taking millions of dollars of depositors' money down with them, there was almost certainly some quiet crowing among conventional bankers in the Middle East.

Could it be, they asked themselves, that the failure of these companies — which called themselves Islamic and promised investors fantastic returns — would have knock-on effects elsewhere in the Arab world? Might it even begin to blunt the competition between themselves and the region's proliferating Islamic banks?

The questions, and the crowing, were almost certainly misplaced. The Egyptian debacle has tarnished the image of Islamic finance as a whole, as many Islamic bankers will admit. But it is unlikely to prove more than a temporary setback for the Middle East's proliferating Islamic banks.

The rapid growth of financial institutions and instruments catering to Islam's prohibition on the payment and receipt of interest in the early 1980s may have levelled off, but the expansion undoubtedly continues.

Islamic banks are attracting some of the Arab world's better banking brains

Banks functioning on Islamic principles — and equipped with supervisory boards of religious sheikhs, judges and theologians to prove it — are now among the biggest financial players in such countries as Saudi Arabia, Kuwait and the other Gulf states, Egypt, Sudan and Jordan. The Kuwait Finance House and Faisal Islamic Bank of Egypt are both cited in The Banker magazine's listing of the top 50 Arab banks.

Such institutions are attracting some of the Arab world's better banking brains to grapple with the technical complexities involved in interest-free finance.

Some have set out to penetrate Western markets, attracting blue-chip European customers and deploying their huge financial resources in innovative deals. And they have also spawned a host of imitators and collaborators from the more conventional financial world, with banking groups such as Citicorp devoting considerable time and money to helping devise suitably godly investment vehicles.

As Mr Rodney Wilson and Mr David Baldwin of Durham University in the UK put it in a recent book* on the subject, "There is little doubt that the coming decade will see an increasing number of Islamic financial institutions represented in Western financial markets."

Islamic finance may not be quite the fad that it was in the early 1980s, when as one Western banker put it, "the perception was that it was the source for a lot of easy money." Moreover, it is still at what practitioners admit is an experimental stage.

But it is making its presence felt in a number of ways. Islamic banks have attracted sizeable quantities of funds that might have gone to their conventional counterparts, and in some cases they may be attracting new participants — those who have shunned banks hitherto because of their distaste for interest — into the banking system.

This is of potential concern to conventional banks in the Middle East, not least because many of them have grown fat from lending for interest large amounts of interest-free deposits. Some commercial banks in the Gulf have been forced to launch Islamic-style accounts, and pay for these deposits in religiously acceptable ways, to compete.

The Islamic banks have aroused more than passing interest among bank regulators, for whom they pose complex challenges. Islamic banks have also caused ripples of political concern, not least because of the fear that the progressive abandonment of interest could eventually undermine the Western-oriented financial systems that Arab countries have built up over the past 30 years.

It should not be surprising that Islamic finance has expanded alongside the general wave of religious revivalism in the Middle East over the past decade. Islamic teachings — the Koran and the *hadith* — are quite explicit about the sinful nature of what they call *"riba"* (usury or interest) on the grounds that it involves exploitation of the weak by the strong. Debate among scholars has tended to revolve around whether this means a ban on all interest or merely a prohibition on charging outrageous rates.

In recent years, it is the former school of thought that has come in the fore. So it was that Iran, after its 1979 revolution, embarked on a wholesale Islamisation of its financial system to eliminate interest payments. Islamic Pakistan has been on a similar course for longer.

In the Arab world, Islamic banking was given its real push by a number of immensely wealthy Gulf businessmen who evidently felt a desire to deploy their funds in a religiously acceptable fashion — or in some cases perhaps to capitalise on a potential market opportunity.

According to Mr Volker Nienhaus, an expert on Islamic finance at the University of Bochum in West Germany, there are now around 50 Islamic banks and groups, the largest and most well-established of which include:

■ Kuwait Finance House. Established in 1975 and majority-owned by the Kuwaiti Government, it was badly burned in the Kuwaiti market crash in the early 1980s but now commands assets of around $3bn and a local market share approaching 20 per cent.

■ Dar Al-Maal Al-Islami. A sprawling group of banks, investment and insurance companies founded by a member of the Saudi royal family, Prince Mohamad al-Faisal al-Saud and based in Geneva. It, too, had its problems in the early years, notably when an over-enthusiastic Swiss dealer lost $45m by placing surplus funds in the gold market, but now appears to be on a sounder footing.

■ The Jeddah-based Dallah-Al-Baraka group. Established by Mr Saleh Kamel, a leading Saudi contractor, this, too, is a loose agglomeration of companies in countries as far flung as Bangladesh, Bahrain and Britain.

■ The Al-Rajhi Bank for Investment and Commerce, the largest Saudi money-changer which recently became a bank. Curiously enough, the Saudi authorities do not allow Al-Rajhi to call itself an Islamic bank (probably for fear of engendering speculation as to the unIslamic nature of interest-based banks in the kingdom), but that is how it operates — handling large volumes of trade finance through its London office.

How exactly, then, do all these institutions differ from conventional Western banks? The answer varies from one institution to another, depending on how they choose to interpret the faith.

Indeed, the ingenuity deployed by some Islamic banks to disguise what amount to interest-based dealings is a source of some cynicism among other bankers.

But the general principle behind the exercise is relatively simple, and has tended thus far to impose strict limits on the range of services that Islamic banks can offer.

As one American banker in London put it, Western banking treats money as a commodity in its own right; Islamic banking focuses on the underlying assets for which money is exchanged.

According to this view, interest is seen as unearned income and therefore potentially corrupting. Trading a tangible asset for profit, however, is acceptable, and a portion of profits can be passed on to investors in lieu of interest.

Hence the main activity of Islamic banks has tended to revolve around trade finance, where instead of charging interest on a loan they actually buy the underlying goods and sell them on to the would-be purchaser at a mark-up. This form of deal — in which the mark-up tends to track prevailing interest rates — is known as *murabaha*, and is almost invariably short-term. It is also often attractive to Western companies for tax reasons and because it means they can trade without increasing their leverage.

A second important, and growing, business line is leasing. Islamic banks have developed special contracts for Islamic leasing (or *ijara*) deals, and the business is becoming more sophisticated all the time, as demonstrated by a $15.3m Islamic tanker leasing fund set up this year by Citicorp, Fred Olsen and Kuwait Finance House. Several banks are also examining the possibility of extending Islamic leasing to the financing of aircraft.

Both of these activities are relatively secure, and do not require tying up large funds for excessively long periods. They have also proved quite profitable for most Islamic banks.

Some have set out to penetrate Western markets, attracting blue-chip customers

But in trying to develop a wider range of services involving longer-term finance, Islamic institutions have run into a number of basic obstacles. First, their deposit base consists overwhelmingly of short maturities, given Middle Eastern investors' penchant for liquidity.

Second, they are mostly cut out of interbank markets because of the prohibition on interest, and no viable way has yet been found of establishing a specifically Islamic interbank market.

"This is undoubtedly a great limitation on Islamic banks," said one Arab expert. "You cannot create an Islamic bank without an ability to generate large amounts of religiously acceptable funds." It means that many Islamic banks continue to rely to a disproportionate extent on the funds of their wealthy owners.

Third, longer-term investments in which banks share the profits or losses with their investors (known in Islamic Sharia law as *musharaka* ventures) have yet to take off in any meaningful sense. To risk-averse Middle Eastern investors, they are bound to be seen as exceptionally risky and illiquid enterprises.

Specialist committees are currently hard at work under the auspices of the inter-governmental Islamic Development Bank, in an effort to find answers to these fundamental problems. Until such efforts bear fruit, Islamic banking is likely to remain confined to the fairly narrow business areas in which it now operates.

But within those highly-competitive businesses, it is already proving itself a force to be reckoned with, both in the Middle East and in the West.

The growth of financial institutions catering to Islam's prohibition on the payment and receipt of interest in the early 1980s may have levelled off, but the expansion undoubtedly continues

Andrew Gowers

* *Islamic Law and Finance, ed. Chibli Mallat; School of Oriental and African Studies, London, 1988*

Market shares of Islamic banks (%)

	1980	1981	1982	1983	1984	1985	1986
Bahrain	1.03	1.42	2.86	3.45	7.44	16.19	15.92
Bangladesh	-	-	-	0.47	1.52	3.22	3.90
Egypt	1.61	4.51	6.14	6.63	9.37	12.76	(9.8)
Jordan	1.90	3.35	3.90	5.40	6.82	7.72	8.60
Kuwait	5.70	8.21	23.32	17.33	17.13	17.64	18.03
Qatar	-	-	-	-	8.71	7.98	10.37
Sudan	6.86	10.87	15.00	13.34	12.68	7.74	7.06
Turkey	-	-	-	-		0.41	0.74
UAE	(1.32)	1.28	1.35	2.03	2.35	3.06	3.27

Source: Islamic Law and Finance

THE JAPANESE IN BAHRAIN

Early birds reap the rewards

AT 6.30am every Friday the staff of Yamaichi, the Japanese securities house, make their way into a Bahrain banking district bereft of life by the Moslem day of rest to catch the second session of the Tokyo stock market. When dealing closes, they then call each of their Gulf clients to let them know how trading went.

This is not a display of Japanese workaholism for its own sake. Yamaichi's early birds are simply paying due care and attention to what is in effect their greatest asset, soaring Tokyo stocks.

The Tokyo market's resilience after the 1987 crash, when it outperformed London and Wall Street by losing less than 20 per cent of its value and recovering within six months, and its subsequent progress to fresh heights has given the Japanese houses in Bahrain a mouthwatering array of high-performance equity linked products to offer. And Gulf private and public investors, many of whom took a real loss for the first time on their previously rock-solid Swiss and US-based investments during the crash, are lapping them up.

Backed by the inside track advantage of their parent houses in Tokyo, and helped along by a strong Yen, the nine Japanese securities houses in Bahrain have been posting equally mouthwatering rates of growth.

Yamaichi, for one, expects profits from its Bahrain investment bank to double this year from 1988's $5.8m, which is a stunning return from an outfit capitalised at a nimble $25m.

At Nomura, meanwhile, growth is such that it expects to add five extra staff a year to its tally of 54 for the foreseeable future — and this on an island where banks of four times its $25m capital base have been forced to halve staffing to such numbers during their lean 1980s. Revenue growth rates of 5-10 per cent during the early 1980s have nearly doubled since 1986, says Mr Tetsu Hirano, president of Nomura's operation.

The nine Japanese securities houses in Bahrain have been posting exceptionally high rates of growth

Nikko jumped aboard this year by upgrading its representative office to a full investment bank, taking to nine the number of Japanese securities groups in Bahrain.

Most of the houses deal almost exclusively in Japanese products, something which has left them unscathed by the ill-fated lending binge of the mid-1980s, and tend to be mining narrow but rich seams.

Nikko reports a roaring trade in corporate bonds, warrants and, increasingly, index linked products, notably to the three big Kuwaiti investment groups, KIC, KFT and KFTCIC which are big Japanese players through Bahrain.

Yamaichi, meanwhile has secured more than half its turnover so far this year through a heady demand for Japanese corporate cum-warrants. "I've called some clients to quote a new issue, and they've bought straight away on the price alone and only asked which company issued them as an afterthought," says manager Mr Katsuhiko Abe.

Half of Nomura's business is in managing individual investor portfolios in Japanese bonds and equities, a market it attacks with vigour. The week after the markets crash, Mr Hirano visited each of his clients to explain how he read the market. "We were all scared, but it's better to explain why you're scared," he says.

Such solicitous service during the bad times has won the Japanese considerable respect in the region. "When the Swiss, Americans and British were closing lines of credit and moving out of here when things got tough, the Japanese kept all their lines open," says a Kuwaiti investment banker. "Now when the others return we say 'How can we go straight to bed with you, we've got a lasting relationship with someone else.'"

For most houses the client base splits evenly between private, institutional and government investors, particularly in the UAE and Oman which the Japanese banks have in their sights as the best prospects for economic growth.

But while colleagues from local OBUs scuttle around the Gulf and beyond in search of new opportunities, the Japanese see no need to venture far from Bahrain. At the end of the island's excellent telecommunications system, they can happily straddle Tokyo's close with the day's trading in London, in close touch all the while with their sister banks in each capital.

The only complaint of some Japanese managers is Bahrain's nightlife. "In Japan they called me the Emperor of the night," says one. "When work finished I would play hard. Now when I visit Tokyo I'm used to sleeping in the afternoons and going to bed early." In Bahrain, he will have to be content with being an Emperor of Friday morning.

Mark Nicholson

Mark Nicholson on the fledgling Gulf capital markets

Venture still in its infancy

THERE is a healthy demand for modern stock exchanges in the Gulf. Local shares, unfortunately, are proving harder to sell.

In June Bahrain opened the doors to its plush marble stock exchange floor and is now busy installing a Reuter quote system. Kuwait, which has seen trading in its palatial $62m exchange since 1984, is in the throes of installing a fully automated $8m dealing system. Oman recently passed a royal decree setting up its small *borsa*. And just this month, the governor of the UAE Central Bank said he thought the time was right to consider drawing up laws for a local exchange.

The guiding logic behind these ventures is that the economies of the Gulf will reach full maturity only when there exists an efficient capital market to match the region's substantial savings with domestic investment initiatives.

So far this role has been played expensively by the region's governments, and in the face of huge outflows of local private capital towards what savers see as safer, more liquid and more remunerative international investment markets. Setting up domestic exchanges, the governments believe, is the first step towards repatriating some of this great financial resource.

To date, however, the governments' investment in taking this step has won scant return. The targeted investors have stayed away in droves. In Kuwait, for instance, where the *borsa* is still haunted by the collapse of the Souk el Manakh kerb market in 1982, share prices are limping along at 40 per cent of their 1983 values.

In Bahrain, the number of daily trades in the 29 listed companies has averaged at about 10, and dealers reckon they only ever get their hands on 1 per cent of the 3bn or so shares outstanding.

Such figures look particularly dismal when measured against the scale of the expatriated resources the Gulf governments are hoping to tap. Based on figures from the International Monetary Fund and local monetary authorities, Dr Henry Azzam, chief economist of Gulf International Bank, has calculated that Gulf private investors may hold $162bn in various types of assets outside the region.

The problem, which is widely acknowledged by governments and analysts alike, is that the local markets do not yet offer anything like the range or quality of investments which are available to the sophisticated Gulf investor overseas. Putting this right, it seems, will require sweeping — and likely as not slow — changes of legislation and attitude to pervade both the Gulf's corporate and governmental cultures.

So far the range of local capital market instruments has been acutely limited to straight equities or a primary market in short-term government bills, which are mopped up greedily and exclusively by local commercial banks in Bahrain and Kuwait. Moreover, the local equity markets tend to be bogged by a tiny number of relative blue chips: in Kuwait, for instance, the National Bank of Kuwait, which has offered an average 19 per cent payout on its shares since its foundation in 1952, represents a quarter of the entire market's capitalisation at KD900m ($3bn).

Nor has there been a rush of private companies coming to market. The Bahraini stock exchange says it is considering just one company's interest in listing. The Kuwait stock exchange is confidentially reviewing six potential applicants. But a large proportion of the region's biggest companies remain closely in the hands of families which are reluctant either to dilute control or to submit themselves to stock exchange disclosure requirements.

The governments of Bahrain and Kuwait are well aware of the need to expand the range of instruments available. Kuwait, in particular, is about to allow the banks to set up of a form of mutual funds, encompassing equities, government bills and real estate. It is also working on legislation to permit forward and margin trading, but is moving with enormous caution given that the Souk el Manakh foundered largely on the rampant use of post-dated cheques.

But there are some well-placed market participants in the Gulf who feel that the governments could be doing more than taking laborious legislative steps to vamp the markets, in particular by taking seriously their repeated theoretical commitments to privatisation.

Dr Khaled Al-Fayez, chief executive officer of the Gulf Investment Corporation, a GCC group which includes in its mandate the development of local capital markets, is critical of a general lack of governmental willingness to float some of the many viable companies in their control. He says that although it is often said of the Gulf that it lacks enough of an industrial base to underpin a strong local capital market, there are enough good state-owned concerns to form a core of high-grade investment paper.

There is certainly a professed willingness to privatise. Bahrain's industry minister, Mr Yousif Ahmed Al Shirawi, says he sees no obstacle in principle to eventually selling Alba, the state-run aluminium smelter. For now, though, the only sell-off under actual discussion in Bahrain is that of a $5m cable extrusion company.

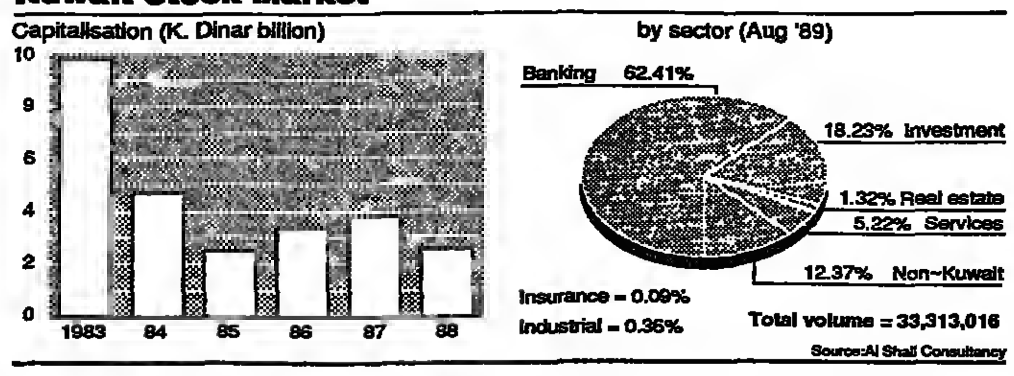
More broadly, the problem of creating quality investments is also that of creating virtually from scratch legislative systems to marshall capital markets in the region. To this, the Gulf governments are committed at least in part — Bahrain, for example, is presently drafting a completely new commercial law. The next step, as many see it, is formally to require standards of accounting and disclosure up to international standards, which are not always present or desired by Gulf companies.

Ideally, any new legislative framework should be co-ordinated to apply evenly across the Gulf states. This would then open each presently nationally-closed stock market to cross-border trading, something to which the the GCC states are publicly committed. But Dr Al Fayez says he expects progress on these lines to be very slow.

This, he suggests, is partly because states legislating to permit the opening of their capital markets will do so with an eye on wider questions of access, some of which bear on more jealously guarded national integrities. The possible need to amend visa requirements is one example; worry about possible overseas control of local companies is another.

But while the Gulf governments take their tentative steps towards integrating their markets, the region's increasingly sophisticated financial institutions continue to serve their affluent clients with the tastier products of the global financial village, satisfying in particular the "Arab dentist's" notorious sweet tooth for liquid assets and fast returns.

Kuwait Stock Market



Source: Al Shall Consultancy

Mark Nicholson on how Bahrain's OBUs are adapting their roles

An essential change of tack

AFTER the glum years of the mid-1980s profits are rising again among Bahrain's offshore banking units. But rising with them, and perforce these days it seems, are the travelling expenses of their senior executives.

One locally established bank is, for example, devoting such energy to creating investments in New York and London that one senior executive privately wonders if they need keep head office on the island.

Investcorp, which boosted profits by 60 per cent through its US and European corporate finance work last year, has already moved some top managers to London. Even those OBUs reliant largely on local trade financing increasingly see Bahrain as less a centre than one among several useful hubs.

It would be wrong, though, to see this as flight from Bahrain, which bankers tend to agree remains the Gulf's best serviced and administered banking location. Rather, such moves represent a necessary change of tack forced on banks which have lost much of their original reason for coming to the island and virtually all unanimity of business purpose, beyond developing new sources of revenue.

The days of oil-rich pickings in local Gulf – and especially Saudi – project lending, booming trade and foreign exchange cover which brought the banks to the island after 1975 are now the stuff of fond memories and displays of perspex covered tombstones gathering dust on the boardroom shelves.

The subsequent dog days of debt default management which kept the bankers busy during the bust of the mid-1980s are also largely over. One foreign banker here says that where rescheduling bad debts to contractors took up to 98 per cent of his time a couple of years ago, it now occupies less than 1 per cent.

Thoughts have turned instead to hatching fresh strategies, a process which has largely unravelled the notion that there is any longer a common role for Bahrain's offshore banks. "I know what we're doing here," one banker suggests, "but I've no idea what the rest are doing."

This identity crisis has posed itself far less strongly for overseas banks which set up subsidiaries in Bahrain as OBUs. Most American and UK banks faced with wounding Gulf debts simply ran down their loans and either slimmed dramatically or closed outright.

Bahrain: changing identity

During the dark days of 1986-87, 12 banks either shut or scaled their presence down to representative offices to leave 58 OBUs on the isle with total net assets of $65.3m. Those remaining are also considerably leaner outfits.

For the locally-established OBUs the need to diversify has been more acute. With the outlook for renewed growth in syndicated loans and project finance hanging in uncertain abeyance despite peace between Iran and Iraq, many have sought to refashion themselves as "investment" banks, particularly those which suffered most from the rush to expand assets during the 1980s. But given the Gulf's fledgling corporate culture and at best embryonic capital markets, this has tended to mean hunting for niches in Europe and the US.

It is a trail blazed most profitably by Investcorp, or Arabian Investment Banking Corporation as it is formally titled. Established in 1982 with a clear sense of purpose – to channel private Arab money into direct investments in selected US and European companies – Investcorp has been consistently the most profitable of all Bahrain-based OBUs in recent years and is reckoned by some analysts to have the strongest management team for its size in the Middle East.

In its wake have followed others also placing a premium on agile and aggressive management to win them a role abroad, such as Bahrain Middle East Bank (BMB) and Bahrain International Bank (BIB).

BMB, a mid-sized OBU with balance sheet footings of $516m in 1988, is characteristic of the attempt to emerge re-formed from the chrysalis of debt. After taking losses of $21m in 1987 from both the Souk el Manakh Kuwaiti share debacle and the 1987 stocks crash, the bank has veered from the Middle East towards seeking LBO and venture capital opportunities through its agency in New York, and in London through a 75 per cent owned joint venture with J.O. Hambros. But while it returned to profit last year, analysts are withholding judgment on the bank's prospects which are felt to hang crucially on the high quality of a few high-calibre staff.

For other banks, like United Gulf Bank and Kuwait Asia, the size of their capitalisation and commitment of their shareholders tends to underwrite their medium-term viability. But having seen the wells of income they were founded to tap turn to holes of debt, these banks too have been forced to rethink.

Many offshore banking units now see Bahrain as less a centre than one among several useful hubs

United Gulf Bank, having recoiled with a loss of $37m in 1987 after unsuccessful concentration first on trade finance and then project lending is now shedding its loans and turning profitably to investment banking under its new owner, The Kuwait Investment Projects Company, which took a 94 per cent share in 1988.

Kuwait Asia, capitalised at $100m but still saddled with accumulated losses of $26.8m from soured project lending, has similarly jettisoned an unsuccessful focus on Arab-Asia trade and lending to look for investment niches. It halved its loans book last year and is now looking to participate in venture capital, mezzanine debt, real estate and other funds with US and UK banks.

Not all bankers on the island, however, are convinced of the therapeutic effects of this rush into investment banking. They question among other things whether the smaller, locally-incorporated banks with European ambitions will cope with tough competition in the run up to 1992, or meet capital adequacy requirements in the market thereafter. Some also question whether high-flying Investcorp, let alone its proteges, would weather any serious downturn in the US.

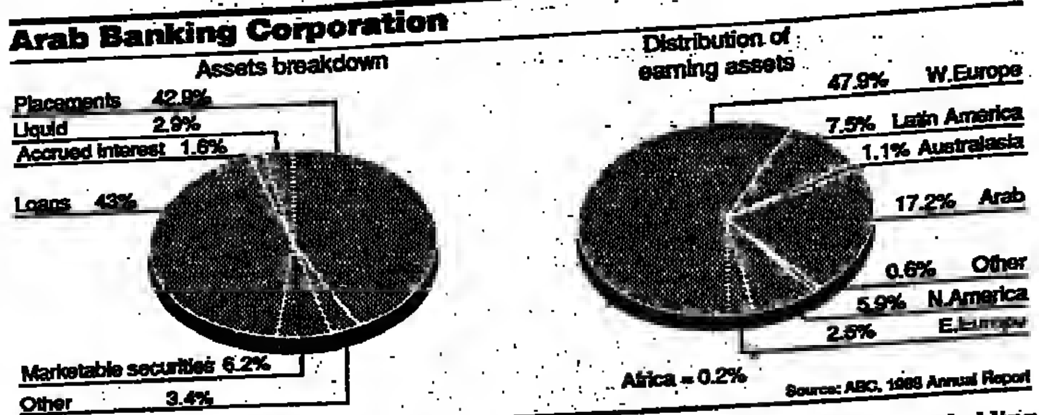
Such sceptics tend to come from within a core of banks which are keeping faith with their returns from traditional correspondent trade business and in the prospects for the Gulf economies, based on a reading of steady medium-term oil revenues. Such banks, Manufacturers Hanover, Arab Bank and Al Ubaf among them, are none the less tending to extend the reach of countries served from Bahrain and deepening their mix of money market activities.

There is near unanimity, though, that no project lending spree is just around the corner. Most banks are deeply sceptical of talk of eventual Iraqi reconstruction deals; both of it ever actually happening and of their being willing or able to take a slice if it does. The big loans in the pipeline can be ticked off on the fingers of one hand; a big chunk of Bahrain's $1.3bn Alba aluminium expansion, more fleet financing for Gulf Air and perhaps money for a Bahraini urea plant if it is approved.

But if the excitement in Bahrain is over, so is the pain. "Since the Gulf war ended," says one, "salaries have started rising a bit, house prices are stable and more people are coming in. It's a bit more optimistic."

PROFILES: Gulf International Bank/Arab Banking Corporation

Bahrain's world-class duo



TOWERING above the fray of lesser Bahrain-based banks struggling to find their niches in life, Gulf International Bank (GIB) and Arab Banking Corporation (ABC) have steadily and profitably been turning themselves into world-class institutions.

The duo are commonly bracketed together, partly because of their common Bahraini stable and parallel success. But they are in fact pursuing increasingly divergent paths, and the difference is due largely to the two banks' different strategic centres of gravity. While GIB looks to enrich its relationship with its sovereign Gulf shareholders, ABC is being steered on an international mission by its hands-on managers, notably Mr Abdulla Saudi, its highly-regarded 52-year-old Libyan chief executive.

The two banks do share important likenesses. Both, for instance, have substantial backing – with shareholders' equity of $753.9m and $1.14bn respectively – in each case from sovereign Arab owners: GIB was set up in 1975 by the GCC countries plus Iraq, and ABC in 1980 by the governments of Libya, Abu Dhabi and Kuwait.

They also share a well met ambition to be measured against the world's best rather than local peers. "They're atypical for the region in that they are real banks with real business spaces and real professionals," says one analyst.

GIB and ABC also enjoyed a better start in life than their Bahrain brethren since they were viewed from the outset as sovereign risk, an advantage which helped catapult both young banks into the top flight of syndicated lending in the mid-1980s. One consequence, though, is that they have shared with the banking elite the need to provision to international standards against LDC debts incurred during the headlong lending of the early 1980s; debts of $1.8bn in ABC's case and of an estimated $850m for GIB, which has not disclosed recent official figures.

Both remain top world players. Euromoney magazine recently ranked GIB as the world's second biggest sovereign lender in the first half of this year, with a total of $889.24m in loans to Qatar and Oman and credits arranged with Britain's ECGD for Iraq. Both also run well-established branch and office networks from New York to Singapore. However, the different manner of each banks' international attack provides a good pointer to their distinct ambitions.

ABC's path has been charted into the wider world "from day one", says Mr Saudi. His hand has without doubt guided ABC's string of overseas acquisitions, which include Daus & Co, a trade based West German bank, International Bank of Asia, in Hong Kong, and most recently and potentially profitably, Banco Atlantico, the 229-branch Spanish retail bank.

ABC's next challenge, as Mr Saudi sees it, is to be strongly enough placed in Europe to achieve a target of financing 25 per cent of total Arab-European trade flows – he claims the banks's present share is 20 per cent. A possible vehicle for this, and a bulwark against the rigors of 1992, he suggests, might be created by rolling together ABC's Paris, London and Milan branches with some fresh capital to form a fresh European unit.

With characteristic expansiveness, though, Mr Saudi indicates that he is merely thinking such plans out loud. "Maybe we'll call the bank ABC 1992," he says to make the point. But that he feels free to discuss strategy so breezily is symptomatic of the hands-off approach of ABC's shareholders. His approach contrasts with GIB's reticence to talk strategy.

As if to emphasise the difference, earlier this year ABC's board agreed to recommend to its shareholders that the bank should boost its capital by offering a nominal $250m of shares to private shareholders – which would literally see them relinquishing some control. Mr Saudi is confident the three governments will accept the proposal when they decide next spring.

They are often bracketed together, partly because of their common stable and parallel success

GIB has also upped its capital base, but through pro-rata subscription from its seven government founders, which agreed last year to double authorised capital to $1.1bn and pay a first tranche of $111m towards eventually meeting this. The money is earmarked broadly to finance further expansion. And while the bank's managers say they have a "strategic" rather than "political" relationship with their shareholders, expansion plans have them firmly in mind.

GIB's next priority, it says, is to increase its physical presence in each shareholding country. It will not say quite how, but analysts say any move into already crowded GCC retail banking markets would virtually have to be made through acquisition or joint ventures.

There is also a strong feeling among local bankers that GIB's shareholder relationship with Iraq has helped the bank sustain flows of trade finance and lending to the country while others remain daunted by the risk of non-repayment.

GIB is also more optimistic than most on prospects for local project lending and corporate finance, pointing to work in progress. It is presently acting with Chase Manhattan as financial adviser to Alba, Bahrain's state aluminium smelter, on a forthcoming offer of a chunk of its $1.3bn expansion costs to the markets. Also with Chase, the bank has revived studies into privatising Gulf Air.

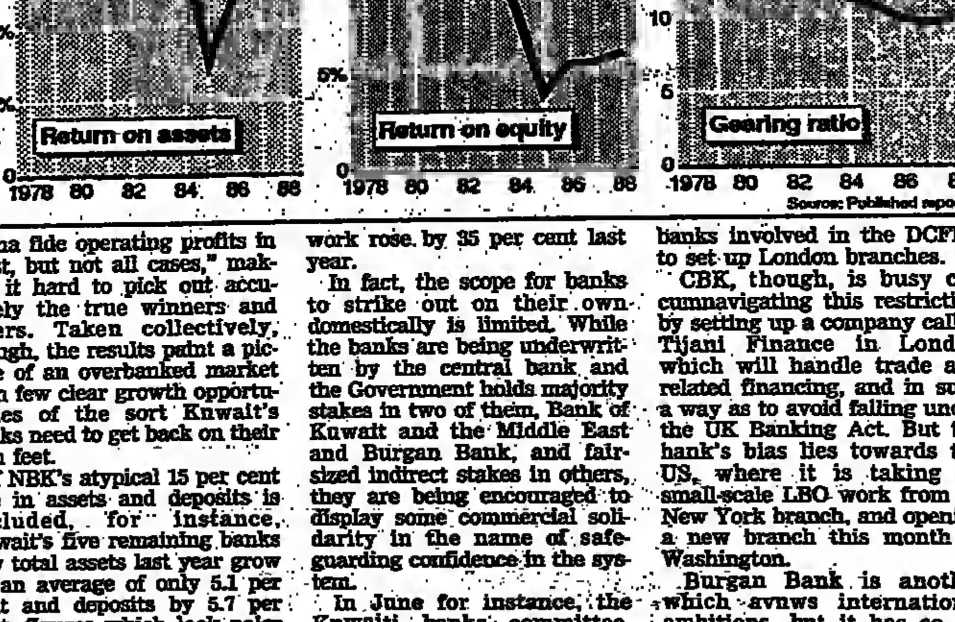
But while GIB says its focus lies firmly on developing in the Gulf, it is alive to the need to strengthen its position overseas, where it has only branches, particularly in Europe before 1992.

In the end, though, a telling illustration of the banks' divergent ambitions can be inferred from the covers of their 1988 annual reports. While GIB portrays Islamic calligraphy against a staid Arabian pattern, ABC just shows its logo beneath a photograph of the planet earth.

Mark Nicholson

KUWAIT

Haunted by the crash



KUWAIT'S six commercial banks reported profits in 1988 for the third year running. But, apart from The National Bank of Kuwait, for the third year running the profits owed at least as much to the pen of the central bank as to real rises in earnings. Optimistic Kuwaiti bankers say such a state of affairs will continue for maybe another five years. Pessimists say 15.

The period in question is how long it could take the banks to shuffle off the central bank's Difficult Credit Facilities Resettlement Programme (DCFRP), the plan which was implemented in 1986 to untangle and reschedule the colossal debts left by the Souk el Manakh stock market crash four years earlier.

The programme is designed to reschedule the debts of at least 1,200 individuals and companies whose intemperate speculation in the kerb market – buying shares with post-dated cheques at a high premium to the cash price or with bank loans secured against other Manakh shares – left paper debts when the roof came down of KD27bn ($94bn), which was five times Kuwait's total bank credits at the time.

Seven years on, the total debt has been netted down to about $7bn, with the identified debtors holding assets worth half that. The total outstanding is bigger, however, since a number of individuals have not surrendered themselves to the programme, which requires thorough disclosure of a debtors' full assets.

The DCFRP is aimed at retrieving individuals' debts, but it also offers the banks support against their heavy indirect exposure to the Manakh. The central bank underwrites the banks' provisions on their debt and safeguards their shareholders' funds. It also ensures the banks announce profits and pay dividends so as to rebuild confidence in the banking system and, importantly, the stock market. Many of the banks' fallen loans are secured against shares on the depressed borsa, so ramping share prices effectively helps cut the debts.

The central bank's declared support for the banks now stands at about KD460m of interest free deposits placed with them as cover for long-term rescheduling costs, but the full price of the support programme is confidential. One bank economist estimates the central bank to have pumped in at least two or three times this sum on top.

The banks' published profits last year therefore represent, in one chairman's words, "bona fide operating profits in most, but not all cases," making it hard to pick out accurately the true winners and losers. Taken collectively, though, the results paint a picture of an overbanked market with few clear growth opportunities of the sort Kuwait's banks need to get back on their own feet.

If NBK's atypical 15 per cent rise in assets and deposits is excluded, for instance, Kuwait's five remaining banks saw total assets last year grow by an average of only 5.1 per cent and deposits by 5.7 per cent, figures which look paler still against an annual retail price inflation of 3.4 per cent for the year.

Only one of the five second tier banks, Alahli Bank, actually increased its market share of assets and deposits (by 9.2 per cent and 10.1 per cent in turn). But after the troubled bank's thorough management shake-up and heavy investment in completing a high-tech overhaul in 1988, it was also the only bank to publish a fall in profits, by 15.8 per cent to $4.28m.

However, Mr Hendrick Quant, who came out of retirement in the Netherlands to become Alahli's new general manager in July, is one of the optimists. By keeping the bank's eyes firmly on introducing new and high-tech products to the home market, he says the bank can outgrow any Manakh debt problems in five years. The bank is opening two branches soon to add to its present 21, and believes they will pay for themselves in a year.

Commercial Bank of Kuwait, where profits rose 12.5 per cent to $5.19m last year, also sees some potential for domestic growth. Like almost all Kuwait's banks, it says some of this must lie in expanding the range of products available to existing clients. But CBK is also making a specific play for small businesses, particularly those run by Kuwait's 1.25m expatriates, and says such work rose by 35 per cent last year.

In fact, the scope for banks to strike out on their own domestically is limited. While the banks are being underwritten by the central bank and the Government holds majority stakes in two of them, Bank of Kuwait and the Middle East and Burgan Bank, and fair-sized indirect stakes in others, they are being encouraged to display some commercial solidarity in the name of safeguarding confidence in the system.

In June for instance, the Kuwaiti banks committee, comprising the six commercial banks, the Kuwait Real Estate Bank, Industrial Bank of Kuwait and the Bank of Bahrain and Kuwait, agreed on minimum fee levels for guarantees and documentary credits. The committee has also reached an accord setting limits on interest rate levels for deposits and lending.

The result, some operation managers say, has been to make life simpler, but less flexible. Moreover, big clients grumble that they can no longer get discounted borrowing, while smaller clients have seen costs soar. Such problems have been compounded for the banks by the central bank's decision at the end of last year to help stem capital outflows by informally pegging domestic base rates to US discount rates, and thus raising them.

For want of much movement in the market, many banks have concentrated instead on internal reorganisation as a palliative. Both Burgan Bank and Gulf Bank have replaced their chairmen in the past 18 months, and Gulf this month hired a consultancy group to prepare it a full strategic plan.

The straitjackets at home have naturally tempted some banks to look overseas for growth. Few of the banks, though, have much in the way of an overseas presence to exploit, and the Bank of England is not helping by refusing to allow those Kuwaiti banks involved in the DCFRP to set up London branches.

CBK, though, is busy circumnavigating this restriction by setting up a company called Tijani Finance in London which will handle trade and related financing, and in such a way as to avoid falling under the UK Banking Act. But the bank's bias lies towards the US, where it is taking on small-scale LBO work from its New York branch, and opening a new branch this month in Washington.

Burgan Bank is another which avows international ambitions, but it has so far made no visible move to realise them. Speculative talk earlier in the year of purchasing United Bank of Kuwait, the London-based bank owned by the six Kuwaiti commercial banks, remains such. Analysts say they are surprised, meanwhile, that the bank has not added overseas bite by boosting its 28 per cent share in Bahrain Middle East Bank, the offshore banking unit.

But in the view of a good many Kuwaiti bankers, no amount of debt strategy will be enough to free the banks from the debilitating burdens of Manakh debt. "Senior management is only spending about 5 per cent of its time on these issues," says Mr Richard Carey, general manager of CBK. "But against that we now have a credit administration department the size of our domestic lending division, and that's not good for business."

One favourite solution is to spin the debts off into a separate vehicle which could administer their repayment and free up the banks to get on with business.

The bankers' very favourite solution though is for the Government to bail them out at a stroke. "If we're realistic, this mountain of debt is not going to be eroded except by someone waving a magic wand," says one banker, who declares himself a pessimist.

Mark Nicholson

PROFILE: National Bank of Kuwait

A race to catch up with the best in the West

WHILE those around it have been through a boom and particularly nasty bust, the National Bank of Kuwait has stood aloof and in the process turned in a consistently impressive string of profits – including a 15 per cent rise in profits in real terma to KD30.9m last year.

Through this solid, if somewhat boring, performance, NBK has earned the respect of its peers throughout the Middle East as one of the few genuinely credible Arab international banks.

Its market capitalisation of KD900m ($3bn) at September's prices accounted for 25 per cent of the valne of the entire Kuwaiti stock exchange. And by almost any other measure NBK, Kuwait's oldest commercial bank at 37, also towers above its debt-saddled competitors. In fact, it is probably Kuwait's only solvent bank, after comfortably weathering the aftermath of the 1982 Souk al Manakh crash.

No douht NBK'a auccesa stands out partly in contrast to the folly of most other Kuwaiti banks. But it is also attributable to a comhination of old-fashioned banking virtues, hands-on management and a healthy suspicion of financial fads.

Having a powerful chairman in the shape of Mr Mohamed Abdul Mohsin Al Kharafi, the hillionaire merchant who is widely acknowledged as the doyen of local banking and is also tha father of the present Knwaiti Finance Minister, helps.

Mr Ibrahim Dabdoub, the 60-year-old Palestinian who as the bank's chief general manager since 1983 is given much of the credit for its steady progress, puts NBK's apparent immunity down to a strategic planning exercise – the bank's first – in 1979.

While other banks throughout the Gulf were going hell for leather to huild capacity and put on staff, NBK foresaw the eventual downturn in the regional economy, diversified its asset and income mix, and embarked on an expansion into Europe, the US and the Far East. Thus the bank was standing clear when Gulf project lending and the Souk al Manakh house of cards collapsed.

Not that Mr Dabdoub, a cautious man who started with the bank as a clerk in 1960, is given to grandiose visions. "Wa know our limitations," he says. So it is that NBK remains unfazed by the latest international banking trends – such as the push into corporate finance and sophisticated gimmicks – and continues to concentrate on what it does best: "basic traditional grass-roots banking."

In NBK's case, this means serving its big domestic client base, amounting to a 30 per cent share of domestic deposits, and catering for trade and investment flows into and out of the country. It claims to handle trade finance for 75 per cent of foreign companies doing husiness with Kuwait, through branches and subsidiaries in London, Paris, New York and, most lucratively, Singapore.

For the future, Mr Dabdoub is prescribing more of the same at home and a "slow reassessment" of its next moves overseas. He describes the domestic market as "innately more profitabla", accounting for 70 per cent of income, but recognises that it will become more competitive as tha other hanks return to the black.

But while other Arab banks talk about positioning themselves in the wider Arab world, NBK is characteristically unexcited about the economic prospects. And while the herd stampedes into Europe before 1992, the bank already presides over a clutch of useful European vehicles. Mr Dahdouh says his big missed opportunity was in Asia – failing to open a branch in South Korea – but now that the herd has rushed in, he is certainly not inclined to follow.

If he has a dream, it is to build up NBK'a financial muscle by grabbing a slice of the estimated $150bn which Arab governments have invested in Western markets, the vast bulk of it through American and European institutions. But he knows that this will only come to an Arab bank that can offer a track-record as good as the best of these.

Tony Andrews

Kuwait stock exchange: haunted by the Souk el Manakh flop

Andrew Gowers and Mark Nicholson

Finn Barre on the revitalised and highly liquid banking sector in Saudi Arabia

Bad loan habit a thing of the past

THE Saudi banks are back in the black, according to half-year results from most of the kingdom's 12 commarcial banks.

Out of 10 banks that had reported interim figures by end-August, Saudi Cairo Bank was the only one to report a loss, but even it has shown a dramatic improvement, reducing half-year losses to only SR2.5m (£430,000) from SR55.3m (£9.6) in the same period last year. If the trend continnes, Saudi Cairo may once again be in profit by the end of the year – which would leave Bank Al-Jazira as the only loss-maker. The latter lost SR31.3m in 1988.

The othars have all improved profitability this year by upwards of 30 per cent, with the small United Saudi Commercial Bank moving from loss to a healthy profit of SR40.5m at mid-year. Riyad Bank, the kingdom's second-largest bank, increased profits by 181 per cent.

But the most spectacular performance has been turned in by the newest bank, Al-Rajhi Banking and Investment Corp. This bank, otherwise known by the acronym Arabic, was created last year out of the kingdom's largest money exchanger, Al-Rajhi Company for Currency and Commerce. The Al-Rajhi family now controls 44 per cent of the company, capitalised at SR750m.

Although Arabic is ranked fifth among Saudi banks in terms of assets, it immediately became tha most profitable bank in the kingdom in its first nine months of business.

The half-year results continue the trend, with Al-Rajhi showing a profit of SR540.2m after nine-month 1988 profits of SR588.2m. The kingdom's largest bank, National Commercial Bank (NCB) has yet to report, but Arabic's profits total more than those of the three other most profitable banks put together: Riyad Bank, Saudi American Bank (Samba), and Arah National Bank (ANB).

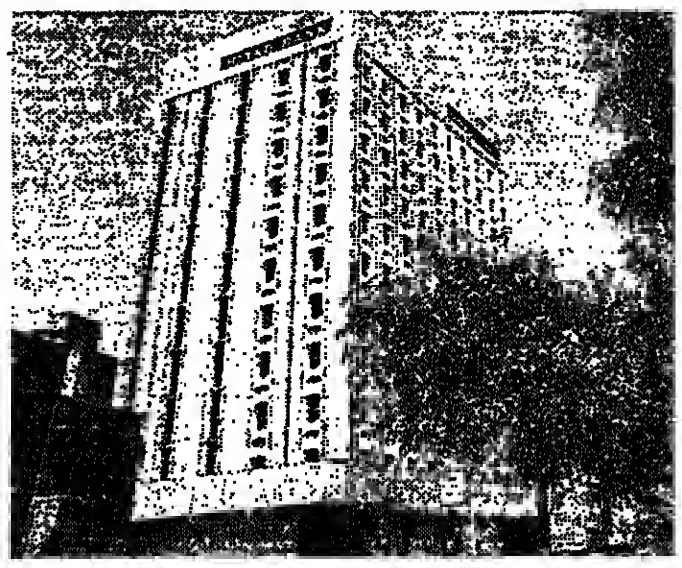
Rajhi'a extraordinary profitability is attrihntahle to its past as a money changer, which has brought it large amounts of business connected with foreign workers' remittances, and to its ability to attract non-interest paying deposits into its large domestic branch network.

1989 half year results of Saudi Arabia's top banks*
(Period ending June 30 1989; figures in SRbn unless stated otherwise)

	Total assets	Loans/adv	Total deposits	Provisions	Net earnings
2 Riyad Bank	42.436 (9.9)	10.184 (2.9)	35.927 (15.0)	118.3m (-24.8)	191.1m (181.0)
3 Saudi American Bank	23.108 (10.7)	8.170 (31.8)	18.330 (18.5)	64.0m (-23.9)	186.9m (54.1)
4 Al-Bank Al Saudi Al Fransi	18.899 (25.8)	5.761 (20.0)	12.676 (17.7)	30.0m (-18.4)	60.8m (31.7)
5 Al-Rajhi Banking** and Investment Corp	16.440	13.450	13.090	31.76m	548.2m
8 Arab National Bank	14.757 (11.4)	3.158 (16.1)	10.584 (8.9)	38.2m (-8.8)	159.0m (31.0)

Figures in parentheses denote percentage change over 1988 half year figures
*National Commercial Bank, the top ranking bank, has yet to report
**1989 is first year of full operation

Source: Published reports



Trendsetter: Riyad Bank has reported a big increase in profits

Because Islam forbids the giving and receiving of interest, large percentages of bank deposits in the kingdom are non-interest bearing. Al-Rajhi benefits the most of all, paying no interest on any of its SR13bn of deposits. Although the central bank, the Saudi Arabian Monetary Agency (Sama) has not licensed any Islamic banks, Arabic in effect operates as one. Its balance sheet, for instance, uses Islamic financial terminology.

The Islamic prohibition on interest has, of course, had its drawbacks for many Saudi banks in the recent past. When the country suffered a recession several years ago, many wealthy debtors simply reneged on their loans, claiming that they were un-Islamic.

As the profit figures show, the banks are now putting this problem squarely behind them. This is in part attributable to official intervention, in the form of the special committee established by Sama to arbitrate on loan disputes. The committee has now gone through more than 700 cases, and although bankers complain that it is difficult to obtain enforcement of its decisions, it may have had a moral effect on some errant debtors.

Perhaps more important is the fact that the banks have for the most part digested their bad loans by making adequate provisions for them. Provisioning took a heavy toll on profits in the past couple of years, but the bulk of potential losses is now well covered.

Several of the more troubled Saudi banks have embarked on a more comprehensive restructuring with new management teams and increased capital. Last year, for example, Saudi British Bank, a joint venture 40 per cent owned by British Bank of the Middle East, set up a SR350m flotation, using SR100m of the proceeds to increase capital and putting the remainder into a massive one-off loan provision.

Saudi Cairo also saw its capital doubled through a SR300m contribution from the Public Investment Fund, a government credit agency that provides soft loans for petrochemical plants and refineries. This reduced Banque Du Caire's stake in Saudi Cairo to 20 per cent.

Other banks attempting to restructure their ownership have not found it so easy. In particular, uncertainty surrounds the future of National Bank of Pakistan's 35 per cent stake in Bank Al-Jazira. Since last year, a group of investors led by Saudi banker Mr Mahfouz Salem Ibn Mahfouz, deputy general manager of the kingdom's largest bank, National Commercial Bank, has been attempting to buy out NBP. But Sama – perhaps because of a desire not to create the impression that foreign banks are pulling out of Saudi Arabia – refused to countenance the sale, leaving the bank wedded to an unwilling Pakistani partner.

The search is on for ways of expanding outlets for the banks' huge surplus funds

SAMA does not want to see a local bank fail, or to see foreign partners bail out. Consequently, the central bank, headed by the governor, Mr Hamad Sayyari, quietly supports troubled organisations. Sama deposits are bolstering all of the smaller banks, and keeping Saudi Cairo afloat as well.

In general, however, Saudi bankers' confidence has been increased by the signs that the bad loan problem is under control, and many of them are now able to think more positively about the future.

This year has brought a general increase in loans and advances, indicating that the period of pruning loan portfolios is coming to an end. Seven of the 10 banks that have reported half-year results showed an increase in total assets, with the largest rise reported by Al-Bank Al-Saudi Al-Fransi. The Banque Indosuez joint venture's 25.8 per cent increase in assets has not changed its relative position, ranked fourth among Saudi banks in terms of assets, but it moves Al-Fransi closer to its rival, the Citicorp-managed Saudi-American Bank.

Only Al-Bank Al-Saudi Al-Hollandi (an Algemene Bank Nederland joint venture) and Saudi Cairo Bank showed lower loans and advances – an indication, perhaps, that their bad loan problems are not completely finished.

The increase in loan activity has been hailed by Sama as an indication that the banks are participating more heavily in a Saudi economy that is itself improving and offering more opportunities for investment.

Nevertheless, Saudi banks remain extremely liquid, with deposits also rising in all but three. The search is on for ways of expanding outlets for these funds. And given the shortage of project finance opportunities in the kingdom, the overwhelming focus is on the retail market.

Sama's bope is that with their cleaner loan portfolios, Saudi banks will be well placed to benefit from the stronger economy. And it is working to help them develop the retail market further. It has installed a computerised central cheque clearing system, and is now seeking to establish a national automated teller machine (ATM) network.

UNITED ARAB EMIRATES

Rising tide of optimism

"DUBAI has got a wonderful barometer of business . . . it's the creek. If the creek is busy then things are OK, but if not then the place is in trouble," said a foreign banker who has spent most of his working life in the emirate.

These days, happily for Dubai, the commercial hub of the United Arab Emirates, it is not only the creek's smaller dhow traders who are busy; at the big container ports of Jebel Ali and Port Rashid business is also buoyant. Foreign investment is flowing into the Jebel Ali free zone, partly in anticipation of more business following the winding-down of the Gulf war.

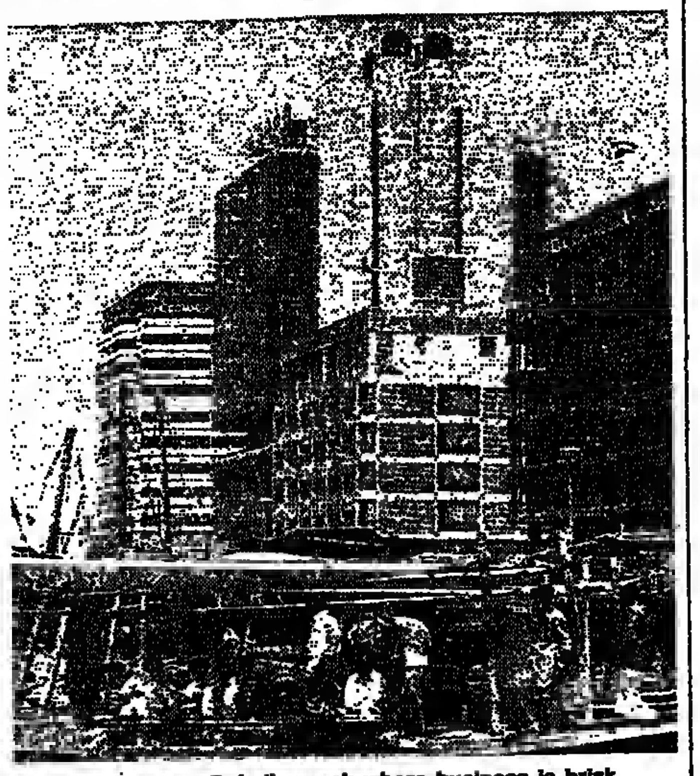
In Dubai and in Abu Dhabi, the largest and wealthiest of the seven UAE emirates, a real estate and construction boom is in progress that has quickened business activity after a very slow period.

All this renewed activity, spurred on by the greater confidence engendered by stable oil prices, is being reflected in a markedly improved outlook for local banks, most of which went through a horrible period after the collapse of oil prices in the early to mid-1980s. Government bail-outs of troubled institutions, mergers and rationalisations have restored a semblance of order to the financial sector.

And while a number of banks, particularly those whose base is in the smaller emirates, are still experiencing difficulties, the threat of the imminent collapse of significant UAE institutions appears to have passed. The central bank has been exerting much stricter regulatory controls over the banking sector, and is credited with having absorbed the painful lessons of the mid-1980s.

UAE banks continue to be involved in fairly large-scale provisioning for bad debts. This has severely curtailed profitability for the past three or four years, but bankers report that after a nightmare period they are at last seeing the light at the end of the tunnel.

Needless to say, conservatively-managed institutions such as the National Bank of Dubai have fared best in the recent past. Profit for 1988 reached Dhs396.2m (£71.5m) compared with Dhs377.2m in 1977. Provisions were Dhs21.2m.



Trade barometer: Dubai's creek where business is brisk

A senior NBD executive said he expected profits to continue to grow strongly this year, reflecting increased business activity in Dubai.

The National Bank of Abu Dhabi reported profits of Dhs86.6m in 1988, compared with Dhs234m in 1987. Provisions were Dhs86.6m taking the balance of the bank's prudential reserve above Dhs1bn.

NBAD has been obliged to grapple not only with bad debt but also with Latin American debt as well. An executive said the bank had worked through the worst of its problems.

Likewise, the Abu Dhabi Commercial Bank, a merger in 1985 of three failing banks, reports that the worst is over. In 1988, profits reached Dhs68.2m. Provisions were Dhs18.7m.

Foreign banks in the UAE, however, are still finding the going rough. They are worried about the growing dominance of government-patronised local banks and their own diminishing market share.

According to the UAE Bankers' Association, total customer deposits of 16 local banks rose by 15 per cent last year, while those of 16 foreign banks rose by only 6.8 per cent. Local banks are also widening their lead over their foreign counterparts in loans and advances.

Bankers report that the market is highly competitive, and that margins are squeezed on all transactions. One recent positive development for banks heavily engaged in debt recovery was the judgement of the UAE Federal Supreme Court in mid-year that compound interest should be included in outstanding obligations according to international banking conventions.

This helped to clarify what had been a previously highly contentious and murky area. But bankers are adopting a "wait and see" approach, as one put it, as to whether the judgement will actually facilitate debt recovery which, in any case, is a lengthy, expensive and extremely frustrating business in the emirates. "I avoid the courts at any cost," said one foreign banker.

Tony Walker

ABU DHABI INVESTMENT AUTHORITY

Slowly lifting its veil

"JAPANESE bonds are the big fun thing at the moment," said the British expatriate banker conspiratorially as we rode in his chauffeur-driven air-conditioned Mercedes through featureless desert between Abu Dhabi and Dubai. "And if you quote me by name, I'm finished."

It seemed a little melodramatic, but the banker was commenting on one the most closely guarded secrets of the United Arab Emirates: what the oil-rich sheikhdom of of Abu Dhabi does with its money through its investment arm, the Abu Dhabi Investment Authority.

ADIA's headquarters, a relatively undistinguished high rise building on Abu Dhabi's corniche, is about as accessible as Fort Knox. A call from a foreign journalist is politely deflected, and a request for an annual report or balance sheet is met with amazed silence.

The body charged with investing much of the personal fortune of Abu Dhabi's al Nahyan family, is not in the business of publicising its activities. It is far more discreet than the Kuwait Investment Authority, for example, in keeping with the self-effacing style of Abu Dhabi's ruler, Sheikh Zayed bin Sultan al Nahyan.

But for an organisation whose investments are variously estimated to total between $25bn and $50bn, it is virtually impossible for it to keep its activities completely invisible. And in the future it likely that ADIA will figure more prominently in the world's financial press simply because of the sheer volume of funds at its disposal.

In fact, there are signs that Abu Dhabi is already embarking on a new investment strategy that will inevitably remove some of the mystique. Abu Dhabi's International Petroleum Investment Company (IPIC), formed in 1984 by the Abu Dhabi National Oil Company (ADNOC) and ADIA, has taken a sizeable stake in Spain's largest privately owned refiner, Compania Espanola de Petroleos, Cepsa, and there are plans to further increase the emirate's downstream investments in Europe.

ADIA itself owns 9 per cent of Compagnie Francaise des Petroles (Total), making it the second biggest shareholder after the French Government. ADIA's investment in Total arises partly because of the long French involvement in developing Abu Dhabi's oil deposits which are yielding annual income of about $5bn at present prices. The hefty stake in Total is unusual for ADIA which has tended, except in a very small number of cases, to limit its equity investments to less than 5 per cent. Another exception is Reuters, the international information conglomerate, in which ADIA is the largest shareholder with 8.05 per cent.

ADIA views its role more as a short-term trading house than as a long-term investor

Bankers in the United Arab Emirates say that ADIA has a reputation for conservative financial management. It concentrates the bulk of its activities in the world's money markets. It is a big investor in US treasury bills, and is also increasingly investing in Far East markets, according to a well-placed banker familiar with ADIA's strategy.

The interest in the Far East reflects a growing trend throughout the Gulf to look towards Asia for new investments. This tendency is seen as an indication that locals less focused on Europe and the US than expatriate financial managers are exercising greater influence at ADIA.

A Gulf banker said that ADIA was particularly active in foreign exchange trading, and that amounts involved were "very, very substantial." He said that the organisation was better in some markets than others, and that this was a "function of the individuals who run the show." ADIA's expatriate advisers tend to be British.

"With very exceptions, it's fair to say," he said, "that ADIA views its role more as a short-term trading house than as a long-term investor in various companies."

But this does not mean that ADIA is not engaged in a range of long-term investments both locally and internationally. It is a one-seventh shareholder in the Bahrain-based Gulf International Bank (GIB), and owns 70 per cent of the National Bank of Abu Dhabi and about 60 per cent of the Abu Dhabi Commercial Bank. Representatives of these institutions report that ADIA maintains a "non-intrusive" presence.

Other ADIA investments include a 1.5 per cent stake in British car-maker Jaguar, and a 7 per cent shareholding in Davy Corporation, the UK engineering company.

Because of its conservative investment policies and the concentration of its activities in the money markets, AIDA is widely believed to have escaped "largely unbattered," as a local observer put it, from the October 1987 stock market crash. There is no reason to doubt that unless there is a drastic change of approach the Abu Dhabi investment vehicle will continue to prosper.

Bankers believe that ADIA is already responsible for some 40 per cent of the emirate's revenues compared with the 60 per cent generated by the oil sector; if oil prices remain at current levels the investment organisation's earnings will outstrip those from oil in two to three years.

"It is sort of unceasing," said a foreign banker with long experience in the Gulf. "The investments make Abu Dhabi's long-term financial security eternal. The future is taken care of."

Tony Walker

IRAQ

Burdened by debt

IRAQ wants to be the top of the league in the Arab world, and by one index it has already arrived. Rafidain Bank, until recently the country's only commercial bank, is the largest bank in the Arab Middle East. In 1986 its assets stood at ID12.8bn ($43bn at the official exchange rate) with profits of ID348m ($1.16bn).

But Iraq's banking ambitions do not stop there. A new commercial bank, Rashid Bank, was set up at the end of last year. Capitalised at ID100m ($333m), the same as Rafidain, it operates alongside it both in domestic business and in commercial transactions abroad. The reason for setting it up was two-fold: to give substance to a government policy of increasing competition within the economy, and, according to the Finance Minister, Mr Hikmat Omar Mekhailef, because of the poor performance of the banking sector.

At best Rashid Bank can be said to be still finding its feet. Reports say that some at least of its branch network consists of former premises of Rafidain Bank; the same can be said of its staff, and probably of its business. In an interview earlier this year the chairman and general manager of Rashid Bank, Mr Abdel Majid Al-Ani, said his bank's strategy would be to compete with Rafidain Bank on "rendering accurate and quick service."

This would be accomplished by well-trained employees and the introduction of advanced technology, including a computerised system linking all branches, he said. International companies were being asked to submit offers to instal the computers.

The rest of the Iraqi banking sector has little significance outside the country.

The ossification of the sector as a whole was best illustrated by the announcement on September 10 by the Central Bank of Iraq, telling commercial banks and other lending institutions to raise interest rates on savings deposits and bank loans by 1 percentage point. The change, backdated to the beginning of the month, was noted by the official news agency as being the first in more than eight years.

The new ratas for time deposits of one year or more was set at 8 per cent, with 7 per cent offered for savings of less than a year. The interest rate on bank loans was changed to 11 per cent. This compares with inflation unofficially estimated at around 40 per cent.

The main challenge facing Iraq is to maintain good relations with its creditors

An indication of the state of the economy is the unofficial exchange rate for the dinar which is currently one-ninth of the unofficial rate. Penalties for black market dealings are harsh, although some of the rules on transfer of currency are changing as the Government tries to encourage the private sector.

The main economic problem remains the legacy of debt incurred during the eight years of the Gulf war. Much of it, perhaps $50bn, was given on ambiguous terms by Arab allies, principally Saudi Arabia and Kuwait, and is unlikely to be repaid soon, if at all. Up to another $20bn is thought to be owing to the Soviet Union and other Eastern European countries for military goods, but a similar figure is estimated to be owed to OECD trade creditors, with many foreign governments also with their fill of credit guarantees.

The position is so serious that the UK's credit line of £340m for Iraq this year, backed by the Export Credit Guarantee Department, has been frozen by bad payments at least three times in the past few months. Other European countries have taken Iraq off cover and the Exim Bank of the US is understood not to be considering offering any more than its existing, very-limited short-term guarantees.

Trading partners of Iraq and commercial banks are meanwhile still considering the impact of the scandal involving the branch in Atlanta, US, of Italy's largest commercial bank, Banca Nazionale del Lavoro, which has issued or confirmed letters of credit valued at $1.85bn, with an additional estimated $550m of credits promised but yet to be taken up. Banking authorities and police are investigating in both Italy and the US on how this exposure was created, apparently, in many cases, without due authorisation.

Included in the overall figure is $706m of agricultural credits covered by Commodity Credit Corporation (CCC) guarantees.

The main challenge facing Iraq is to maintain good relations with its creditors which still see the country, with its 100bn plus oil reserves and 17m population, as one of the great growth countries of the Middle East. Despite its bad payments record, most creditors look like hanging on.

Simon Henderson

Jordan's banking sector faces problems, writes **Andrew Gowers**

Long, difficult road ahead

IN FINANCE, as in politics, this has been a turbulent year for Jordan.

Bankers in the kingdom have scarcely had time to catch their breath as the economy has shifted abruptly from faltering boom to outright recession, and they are now faced with early casualties in their own ranks – notably Petra Bank and Jordan Gulf Bank, which the Government has taken over and is merging. Moreover, the signs are that this is only the beginning of a long and difficult period of restructuring for the financial sector as much as for the economy as a whole.

The shock is all the more painful for having been long overdue. For years, the Jordanian economy had been a fool's paradise: living on unfulfilled promises of Arab aid; borrowing that Jordan with its meagre resources could not hope to sustain; and declining remittances from a diminishing army of Palestinian and Jordanian expatriates in the Arab oil states.

Above all, it was living on confidence against the odds: once that vital but intangible commodity started to ebb, the crunch was only a matter of time.

Jordan's overblown banking industry, which enjoyed its share of this phoney boom, began to see the danger signals in the spring of 1988. Jitters were spreading from the Government to the business elite, and capital was starting to flee. The real turning point, though, came on July 31, when King Hussein announced that he was severing legal and administrative ties with the Israeli-occupied West Bank, and followed through with a series of measures that greatly increased feelings of insecurity among Jordan's Palestinian-origin majority.

All at once, the flow of remittances from the Gulf slowed to a trickle. Speculation against the dinar began and it soon emerged that the Government would have difficulties servicing what is now known to be a foreign debt of $8.3bn.

The suddenness of the change made it difficult to manage, even for the largest and most solid financial institution in Jordan, Arab Bank. Since last autumn, the banking system has had to contend with a sharp fall in the dinar, which has lost nearly half its value against the dollar since October; the Government's decision to admit its insolvency by seeking an IMF deal and debt rescheduling; and a shaky start to economic reform under a Prime Minister, Mr Zaid Rifai, who was forced to resign after price riots in April.

Only in the past few weeks have bankers begun to breathe more easily. They point to several signs that the situation is being brought under control by Mr Rifai's successor, Field Marshal Zaid bin Shaker and his cabinet. For example

■ During the summer, the Government has managed to obtain a fresh infusion of aid funds from Saudi Arabia and other Gulf states, bolstering central bank reserves to $500m or more from levels close to zero earlier in the year. Plans are also under discussion for several of the Gulf states to make a large interest-free deposit with the central bank, which Jordan could use to generate interest earnings, perhaps by placing the money with the Arab Monetary Fund. Technical disagreements with the IMF over this issue, however, have yet to be ironed out.

Jordan simply cannot sustain a total of 18 banks — 13 local and five foreign — at a time of retrenchment

■ The central bank – itself under new and more forceful management following the reappointment of the respected Dr Mohammad Said Nabulsi as governor – has asserted its control over the foreign exchange market, armed with a more credible threat to intervene in support of the dinar. Dr Nabulsi's approach has been shrewd and pragmatic, first setting up a two-tier rate structure to draw funds from the free market back into the mainstream banking system, then announcing his intention to unify the two rates in line with IMF requirements. The result of these and other moves is that the dinar has stabilised at around $1.20, up from July, when it briefly reached parity with the US currency.

■ The Paris Club of government creditors and the London Club of creditor banks have both agreed to reschedule Jordan's debts falling due this year and next. This, coupled with new loans from the IMF and the World Bank, will provide a two-year breathing space for economic reform.

■ The IMF agreement is being adhered to. Although there is as yet little sign of the called-for structural reforms, the Government is maintaining strict control on its spending. Imports have also been tightly reined in.

Mr Abdulmajeed Shoman, the 77-year-old chairman of Arab Bank, sums up the current sentiment when he says: "Confidence is the most important thing. And people feel more secure now. They see that the central bank is serious."

The problem for the banking industry is that while its practitioners might perceive virtue in the Government's actions, they see precious little profit to be gained in the coming years out of the Jordanian market.

Arab Bank, for example, which only a few years ago was talking about expansion in Jordan, is now busily playing down its involvement in the country.

Thanks to the depreciation of the dinar, Jordan now accounts for only 11 or 12 per cent of its balance sheet, according to Mr Shoman. But it is still deeply embedded in the local economy, with around 50 per cent of all banking activity in Jordan.

Among other banks, the chickens hatched during the boom years are already coming home to roost. The most obvious of these is Petra Bank. Founded in 1977 by Mr Ahmad Chalabi, an Iraqi Shia and former mathematics professor who had excellent connections among Jordan's ruling elite, Petra expanded aggressively in the past few years to become the kingdom's third largest bank.

But on August 3 it and another smaller institution in which it has a stake, Jordan Gulf Bank, were suddenly taken over by the authorities amid allegations of serious financial irregularities. The move prompted a run on both banks, while Mr Chalabi left the country protesting his innocence and his chief foreign exchange dealer was arrested.

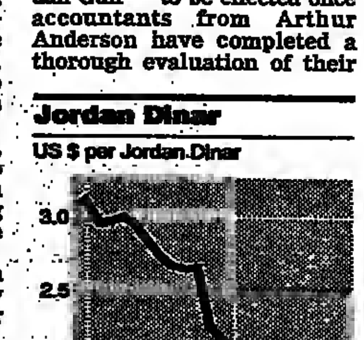
Officials are poring over the balance sheets both of the parent bank in Amman and of e Washington subsidiary, Petra International. It is possible that the central bank, which has promised to honour all "legitimate commitments" of the two banks, will end up footing the hill for what is believed to a substantial portfolio of doubtful loans, including some in foreign currency.

Petra's case is, no doubt, unique in some ways. It is said, for example, to have been closely connected with an informal network of money-changers which has now virtually been closed down by the Government, and to have been involved in speculation against the dinar. This would have given the new central bank leadership another good reason to want to rein the bank in.

None the less, the planned merger between Petra and Jordan Gulf – to be effected once accountants from Arthur Anderson have completed a thorough evaluation of their assests and liabilities – does send an important message to the rest of the banking community. It says that Jordan, as a small country with very few natural resources, simply cannot sustain a total of 18 banks – 13 local and five foreign – at a time of economic retrenchment.

Jordan Dinar

US $ per Jordan Dinar



Many observers believe that such a large number of banks should never have been given the green light in the first place. But there is little doubt that as Jordan settles in for a long haul of rationalisation, more of the smaller banks whose weakness has been exposed by the fall in the dinar will be forced to merge.

The hope is that, with the Government promising greater emphasis on the private sector under its IMF programme, a leaner and fitter banking industry will be in a position to benefit from the lending opportunities this will create.

EGYPT

A mountain to climb

EGYPTIAN banking is a bit like smoggy Cairo itself. It is not all that easy to identify what lies behind a smokescreen of bland official statements and the determinedly optimistic pronouncements of the big four public sector commercial banks that dominate the industry.

But most bankers would say that the sector is far from extricating itself from difficulties brought on by adventurous lending policies of the 1970s and a continuing deep recession that began to bite hard about five years ago.

A question mark continues to hang over the extent to which the banking system, and in particular, the big public sector institutions, has made adequate provision for bad debts. It is no secret that several smaller local banks have been experiencing liquidity problems and have required central bank assistance.

In addition to the unresolved problems of the local debt mountain is the ongoing saga of the Islamic investment houses. The government has been trying, with limited success, to restore order to the unruly sector whose activities were frozen early last year.

Two of the biggest finance companies have been authorised to resume trading under Law 146 specifically covering the activities of deposit takers, but it is unclear whether these institutions will be able to survive in a new, and harsher regulatory environment.

Several local banks with close links to the Islamic sector must be watching developments nervously. If Islamic funds held by these banks were suddenly unlocked and distributed to anxious cash-starved depositors, then consequences for shaky institutions and for the Government itself could be unpleasant.

Most of the Islamic funds that grew virtually unchecked in the mid-1980s are basically bankrupt. The official freeze on their activities has merely staved off for the time being the inevitable collapse of a number of these institutions. "You really have a time bomb that is ticking away," said a local banker.

Bankers say there is no doubt that the uncertainty over the future of Islamic investment houses is affecting business confidence and is a continuing blight on the financial sector as a whole. The Government, in its efforts to bring order to the situation with a minimum of additional disruption, is moving very slowly in its review of the activities of more than 100 of these institutions.

For depositors who initially agitated in the streets of Cairo over the apparent disappearance of their life savings, it has been a slow and painful death. The government tactic has been to let these people down gently by dragging out the process of licensing Islamic companies under the new law.

Bank results in 1988 were patchy. Institutions with strong links to the tourism, food processing and transportation sectors fared best. Egypt's continuing tourist boom is providing one of the few bright spots in an otherwise fairly unpromising economic picture.

The latest central bank report shows that total deposits in the banking system at the end of 1988 had reached LE47.39bn ($18.6bn), a big jump over the year before. But much of this increase was accounted for by a 62 per cent devaluation of the pound against the dollar following an agreement with the International Monetary Fund in May 1987. About half the deposits of Egyptians are held in foreign currency.

"Because of exchange rate differences the relative importance of foreign exchange deposits increased from 39 per cent at the end of June 1987 to 49 per at the end of June 1988," the central bank reported.

Of total deposits in the banking system at the end of 1988, LE41.1bn or about 87 per cent is lodged in the so-called commercial banks, including principally the big four public sector institutions — Banque Misr, National Bank, Banque du Caire and Bank of Alexandria — while the remaining LE6.4bn or 13 per cent is with so-called "investment banks." This latter sector includes the foreign banks.

The central bank specifies four categories of banks among 98 operating in Egypt. These include 44 "commercial" banks, 11 "investment and business" banks, 22 branches of foreign banks and 21 public sector "specialised" banks. The Government, several years ago, declared a moratorium on new banks.

Bankers have spent the summer anxiously monitoring movements in the exchange rate after a significant gap of more than 10 per cent opened this year between the official and black market rates. By July, the gap had closed to 3-4 per cent, but bankers remain sceptical about this state of affairs continuing. They believe that the pound will be coming under renewed pressure later in the year.

Uncertainties about the exchange rate are continuing to bedevil investment decisions especially for proposed enterprises that might require significant imports without a balancing ability to generate foreign exchange through exports or other legitimate means. Bankers say they are extremely wary of such proposals. They are also taking a jaundiced view of lending to the construction sector, except where tourism is concerned.

Hanging over developments in the banking sector is Egypt's continuing difficult negotiations with the IMF on a new economic reform programme to facilitate a second Paris Club rescheduling of some $10bn of its $50bn foreign debt. As long as this issue remains unresolved Egypt's chances of securing new credits are virtually nil, and even in the event of an agreement there is little prospect of significant sums of money materialising except from international lending institutions such as the World Bank.

Egypt has been responding to IMF pressure to increase interest rates, hold down imports and exercise control over new credit. Bankers report that central bank officials have become persistent recently in their inquiries about proposed lending.

In May, Egypt raised its rate on deposits by three percentage points to 16 per cent in a bid to attract more savings and in order to try to satisfy IMF demands for a real increase in interest rates. With rises in the cost of living running at more than 20 per cent and the local currency under constant pressure, a 16 per cent interest rate on deposits is hardly an attractive proposition.

Tony Walker

State-owned banks are being reformed by the government of President Chadli Bendjedid

Francis Ghilès on banking reforms in Algeria

Building anew

ON August 31, the board of the World Bank approved a $300m economic reform support loan to Algeria. One of the main thrusts of this loan, which compliments the SDR 471m standby approved by the IMF three months earlier, is the reform of the country's financial sector.

As North Africa's largest country seeks to transform the very tight centrally planned system it has lived under since independence to a more decentralised market oriented economy, the Government is promoting reforms which aim to give the central bank, an institution long subservient to the Ministry of Finance, a more clearly defined status.

Banks, which are all state-owned, are being asked to play a very different role from the passive one they have hitherto been confined to. Their medium term aim now is to mobilise savings and allocate credit on a rational economic basis.

Until the collapse of the price of oil three years ago and the 45 per cent deterioration in the country's terms of trade which ensued, Algeria's central bank and the five state banks played an essentially passive role. Each bank catered for a set list of state companies. If they showed a loss, and many did over the years, the banks simply performed the role of a conduit for money from the treasury.

Up to 1986 there was no consensus that the exchange rate should be used as a tool of economic management. The real effective exchange rate continued to appreciate although the government tolerated an extensive parallel market, on which the dinar today fetches one-sixth of its face value.

Fiscal management was difficult because of the direct links between the treasury and public enterprises. Public sector borrowing requiremsnt remains large, to finance the Government's direct investments and loans to state companies. These requirements were met largely through recourse to central bank credit with a resulting very rapid expansion in monetary credits.

Attempts to reform in the early 1980s failed. Many of the larger state companies were broken up into smaller units but the surpluses of potentially high performing enterprises were used to subsidise the inefficient ones. The treasury also relied on its automatic access to the captive resources of insurance companies and pension funds to supplement its declining oil and gas revenues.

The central bank lacked the tools needed for monetary control and enjoyed virtually no supervisory role vis-a-vis tha financial sector. Its plight was well illustrated by a succession of very mediocre governments.

In 1986 the state suffered a decline in oil and gas tax receipts equivalent to 9 per cent of Algeria's gross domestic product but the sharp cutback in imports and reduction in government expenditure

The five state-owned banks have hitherto played a passive role

held the increase in the overall treasury deficit (defined to inclnde treasury lending to public enterprises) in check. It increased from 9.8 per cent to 12.3 per cent during 1986. The ratio improved sharply in 1987, to 7.5 per cent but widened again to 10.4 per cent as government expenditure increased and the price of oil declined by 14 per cent that year.

The period since 1986 has however been characterised by a growing awareness among Algerian policy-makers that fundamental changes needed to be brought to the management of the economy. Many structural changes are currently under way not least in the banking sector. Although they remain very mnch in the hands of the state the banks now have shareholders and boards whose members are drawn from different walks of life and whose meetings are no longer solely devoted to rubber stamping exercises.

Some banks are steadily increasing their branch networks. The Banqne de l'Agriculture et du Development Rural (BADR), launched in 1982, now has the largest number of branches of any bank in Algeria (239), whereas the mnch older Banque National d'Algerie has 143, 34 less than in 1980.

Since the spring banks have been allowed to turn down requests for money from the state and private companies if they feel that the nature of the project or past experience with a particular company does not justify the further outlay of funds. If this policy is pursued it is bound to result in some companies going bankrupt and laying off staff. That will pose a big test for the government in a country where jobs in state companies have hitherto been guaranteed for life.

The interest rate policy is also changing. Interest rates charged by the banks can vary from 7 per cent, the current discount rate, to 14 per cent, but to argue that the new rate structure has as yet led state companies into making more rational investment decisions would be premature.

Domestic bonds have also begun to appear, the first one successfully pioneered by BADR. BADR is also one step ahead in another respect having benefitted from the reform in the farming sector launched in 1983. The World Bank is helping to implament within the BADR a policy of establishing modern criteria for risk assessment and project evaluation.

The central bank's monitoring role is meanwhile increasing and it is increasingly setting the new rules for the banking sector. Under the

The policy aim is to build a more market oriented system

steady hand of its governor, Mr Nouiona, it is also tightening the conditions under which banks have access to discounting facilities. Before the end of 1989 it will publish its first evar report, covering the 1962-89 period. The governor then hopes to publish its annual report as is common practice in most countries.

An expanded money market is also to be introdnced, to which insurance companies and other leading institutions will have access. Another recent development has been the arrival in Algiers of two leading French banks, Société Générale and BNP, to open representative offices. Credit Lyonnais is to follow suit and the authorities are hoping that other Western and Arab banks will follow the lead.

Among other progressive measures aimed at restoring an equilibrium between goods, mooey, foreign exchange and labour markets is a monetary policy geared towards reduction of the huge liquidity overhang. Last year the ratio of M1 and M2 to gdp stood at 80 and 95 per cent respectively.

This illustrates the underdeveloped nature, dare one say the distortions, of financial system and the excess demands of consumer goods. The destabilising affects of this liquidity overhang will be addressed by a variety of instrumeots, including liberalising prices, increasing the supply of real assets, the sale of government bonds and a tight monetary policy.

Targets of central policy were set out earlier this year in a national credit plan which aims to restrict the growth of broad money by 7.4 per cent this year.

Although in the previous system medium and long-term credit was largely determined by the planning process and the provision of funds by the treasury, short-term credit could be extended by the banks to the limit of their available resources from deposits, interbank borrowings or rediscounts from the central bank. The latter were, in practice, rather freely given thus encouraging companies to rely on short-term credit and distorting the term structure of their debt.

The difficulties the authorities face as they seek to implement credit limits for the first time are considerable but they are no less painful than many others they are having to confront in the fields of wages and prices. The fact that in 1989 several of the deposits and lending rates are expected to be positive for the first time is no mean achievement.

Furthermore bank credit to the private sector will henceforth be extended at the same interest rate as to the public sector whera only farming, housing and oon-hydrocarbons exports will benefit from beneficial subsidised rates.

All these reforms are radical by Algeria's past standards. They are however only part and parcel of a much broader attempt to reform what is still a centrally planned economy. The collapse in the price of oil has also indirectly encouraged the black market and a thriving parallel economy. The aim of current policies is to build a more liberal and more transparent market oriented system on the ruins of the old.

Lara Marlowe on the flight of capital and highly qualified staff from Beirut and, below, on banking amid the continuing civil war

Beleaguered currency a mirror of Lebanon's decline

BEFORE the Lebanese civil war started in 1975, Beirut was the centre of Arab banking. When the Israelis invaded Lebanon in 1982, most of the Arab deposits fled to Europe, especially Switzerlend, whose hanking secrecy laws most resemble those of Lebanon.

Today, aside from some non-Lebanese Arab shareholders who rarely interfere in Lebanese banking and a few wealthy Gulf Arabs who maintain Lebanese pound accounts as a long-term investment, Lebanon's role in the Arab banking world has dwindled to the provision of local banking services, particularly letters of credit for Iraqi and Syrian businessmen.

The amounts of individual letters of credit have shrunk from millions of dollars for imported commodities before the war to a maximum of $200,000 now. Before the civil war, correspondent banks required between 15 and 25 per cent coverage for letters of credit. Now, because Lebanon is a high risk country, foreign banks are requiring 100 per cent cover. Lebanese bankers have had to pass the cost on to their clients, raising their commission for the three month guarantee and transaction process to 35 per cent or more.

Lebanese law dictates that no letter of credit can represent more than 30 per cent of a bank's private funds. The devaluation of the Lebanese pound – from $1=L£4 in 1982 to an average $1=L£530 at present – has forced Lebanese banks to recapitalise in order to be able to present sufficiently high balance figures to correspondent banks abroad.

In 1987, the Association of Lebanese banks won a long battle with Dr Edmond Naim, ths central bank governor, to be allowed to keep increased capital in dollars rather than Lebanese pounds. "For me, the Lebanese pound requirement was the biggest mistake the central bank ever made," says Mr Abdallah Zakhem, the chairman of the association and the head of the Allied Business Bank of Lebanon.

Mr Zakhem, a building contractor, entered the Lebanese banking sector in 1982. He and other shareholders had assembled $10m from earnings in Europe, Africa and elsewhere in the Middle East. "It was our bad luck," Mr Zakhem says. "We converted $10m to L£40m which is now worth just $1m. If the central bank had allowed us to keep our capital in dollars, we would not be in this situation. They restricted the banks to prop up the Lebanese pound, but the banks were only 15 per cent of the market and that was not enough to hold the pound up. The result was that banks lost as institutions."

One effect of the devaluation has been the "feminisation" of Lebanese banking. The average salary for a Lebanese holding a masters degree in business administration is about L£40,000 – less than $80 per month. "Most qualified men have left," says Mr Ghassan Assaf, the joint general manager of the Bank of Beirut, to the Arab countries. "Families do not want their daughters to go to Europe or the US. Between 40 per cent and 50 per cent of my staff are women now, compared with less than 20 per cent before. We have had to give women a lot more responsibility."

The risks of war have virtually ended long-term finance and lending as banking activities in Lebanon. Most Lebanese banks keep between 80 per cent and 90 per cent of their assets liquid; in Europe the figure is as little as 10 per cent. The failure of the Al Mashrek bank last December, and the subsequent closure of five Lebanese banks in Europe, have created a crisis of confidence that has benefited the older, more conservative banks.

"The failures were due to gross violations of banking practices," says Mr Assaf. "In Lebanon, banks are very much identified with the man in charge, with his reputation for honesty."

Mr Assaf's bank earns most of its profits by pooling the small deposits of 100,000 clients and placing them with prime banks such as Midland and Citibank. "We are very much a retail bank. The big money left Lebanon a long time ago, but what is left now is stable. We pay an average of 7 per cent interest and we place the money at 8.5 per cent or more. We are able to do this without risk. The important thing is to be profitable without lending – and that is difficult."

When the Lebanese pound first began to fall, the central bank intervened, spending $400m of reserves in a few months to maintain the exchange rate at $1=L£19. The central bank later allowed the pound to float freely, but attempted to stabilise the currency in other ways. Its circurency in other ways. Its circular 700 of January 1987 absorbed most of the banking system's liquidity by increasing the reserve requirements to 13 per cent of deposits in Lebanese pounds and 60 per cent of deposits to be invested in treasury bills. The pound promptly fell to an all-time low of $1=L£625 in 1987.

"You can't imagine the amount of profit people have made on speculation," says Mr Salah Hassanieh, the assistant general manager for finance at the Allied Business Bank. "It's easy to make 2 per cent or 3 per cent profit in a week, and that adds up to more than 100 per cent in a year. People find out very easily what is going to happen. If they hear a week ahead that there will be heavy shelling, my customers come in and buy dollars. If the situation is improving they buy Lehanesa pounds. In the United Kingdom or the US, there are penalties for insider trading. Ths concept doesn't exist here."

Since the beginning of the war, the central hank has advised Lebanese banks to withhold shareholders' dividends as a guarantee against bad debts. Most banks have done so, but the shareholders still make a profit by speculating on the pound. The central bank has also played the currency market and uses its profits to finance government spending.

In an effort to immunise itself against fluctuations in the value of the pound, most of the Lebanese economy has moved to dollars. Today, Mr Zakhem estimates that 75 per cent of the Lebanese money supply, or $3bn is circulating in dollars. The other 25 per cent is now in Lebanese pounds. In 1987, almost 90 per cent of Lebanese deposits had moved into dollars, hut Dr Naim strengthened the pound against the dollar by offering treasury hills at 45 per cent interest.

The rate has since been reduced to between 20 per cent and 25 per cent.

Lebanese citizens are estimated to hold $30bn in banks outside the country, and Lebanese bankers believe much of it would return to Beirut in the event of a peaceful settlement. "I don't think Lebanon will become the banking centre of the Arab world again that easily," says Mr Assaf. "The Lebanese outside Lebanon will place some money here, because they are speculative by nature. If we had peace, the Lebanese would be able to revitalise the economy on their own."

Fallen city: the Place de Martyrs in Beirut surrounded by the debris of a building destroyed in the factional fighting

Falling currency: Lebanese central bank staff stacking piles of banknotes. The currency has nosedived during the civil war

Beirut's gunmen call the shots

WHEN the director of one of Lebanon's top 10 banks was kidnapped in East Beirut for two days last spring, depositors rushed to withdraw their money. A Lebanese banking official praised the family owners of the bank for raising $40m in less than a week to meet the liquidity crisis.

The banker's friends and colleagues tell different versions of the story. Some say the run, which might have destroyed a lesser bank, was caused by rumours of corruption at one of its branches.

Some say the kidnappers simply wanted ransom money. Still others tell a bizarre tale of political intrigue, according to which the banker was taken hostage by supporters of the Lebanese Christian General Michel Aoun who accused him of involvement in a CIA plot.

Today, the banker in question is a free, if reticent, man. But his story indicates the unique difficulties faced by bankers in the uniquely anarchic city of Beirut.

Other Lebanese bankers have not been so lucky. Every August 19, Dr Edmond Naim, the governor of the Banque du Liban, Lebanon's central bank, publishes a notice commemorating the anniversary of the kidnapping

'We have to think like policemen. That's our secret'

in 1985 of Andre Cheayeb, Iskandar Dib and Jacques Germani, three of the bank's highest ranking civil servants. There is no word of their fate.

Bank robberies are still a constant problem, although they have diminished since Syrian troops re-entered West Beirut to end militia rule in February 1987.

"We have to think war and security all the time," says a Lebanese banker who worked for four years in the City of London.

"Before February 1987 we had to have gunmen outside every branch. Now we don't use guards if we're within sight of a Syrian checkpoint. Ws are very careful not to keep too much cash – and to hide it in several places. That's our secret. We have to think like policemen."

Despite the Syrian presence, West Beirut still has among the highest bank robbery rates in the world. "There are so many factions here," says the general manager of a top West Beirut bank.

"If we have a robbery in East Beirut, we have only one authority to refer to – the Phalange. Likewise, if we have a robbery in the mountain, we go to the Progressive Socialist Party, the Druze militia. But in West Beirut everyone starts blaming everyone else."

Lebanon's feudal loyalties help bankers to deal with the frequent threats they receive. "If a cheque is returned for insufficient funds or a loan is refused, it's not unusual for the client to threaten the banker," the West Beirut general manager says.

"These people are from the war generation. Fortunately, every person in this country has a reference point, a confessional leader. We go to someone in his group's hierarchy and ask them to

We don't use guards if we're within sight of a Syrian checkpoint

calm him down."

On a few occasions, some of Lebanon's 83 banks have been linked to the country's violence. "The president of a big bank told me that in 1985 he invested heavily in dollars to speculate against the Lebanese pound," says a West Beirut bank auditor.

"But then the pound started rising against the dollar and he was losing a lot of money. He paid a militia leader to start a battle so the pound would fall and he could sell his dollars at a profit."

Andrew Gowers on why Arab banks must pool their resources

Mergers the key to survival

One day some years ago, according to a joke that is doing the rounds of Arab bankers, the governor of the Kuwaiti Central Bank was asked when he would stop allowing the creation of new financial institutions in the emirate. "When they stop creating bank chairmen," he replied.

The story neatly illustrates a problem which has become a central preoccupation for bankers in a number of Arab countries in the past couple of years: the difficult, and politically sensitive, task of rationalising their commercial banking systems.

In every Gulf state and in Jordan, it has been obvious for some years that there are simply too many banks. The precipitous fall in oil prices and the completion of infrastructures in the region in the 1980s left behind a huge surplus of financial institutions as of much else besides. The fragmentation of the industry has been a significant impediment to its ability to expand and compete abroad. But except in a few cases, it has proved exceptionally difficult to set in train mergers that might engender larger and stronger institutions.

This is not a new problem but it has become more acute as business has dropped off and competition has intensified, frequently pitting one Arab national institution against a consortium or joint venture in which it has a stake. It is a terrible waste of money and of already thinly-stretched management resources, and in some cases – such as that of the Kuwaiti banks – it appears to be getting worse.

"In almost every Middle Eastern economy now, there is a preponderance of institutions which would be better able to serve their clients and the economy if they became larger and had greater capital adequacy," says Mr Mustapha Sergaeldin, chairman of the Arab Bankers' Association in London and chief European representative for Bank of Kuwait and the Middle East.

The answer to this problem has long been clear: Arab banks, especially the smaller ones, need to be encouraged to merge. But for a whole host of reasons largely connected with local politics, such a solution has only been implemented piecemeal by a very few Arab countries.

Bank chairmen in the Gulf and elsewhere often tend to be political appointees who run their organisation like a personal fief for one of them to see "his" institution subsumed by another would amount to a drastic loss of prestige.

What is more, the authorities are often reluctant to allow market forces to send their own message. It is widely and probably correctly assumed that no Gulf government

In every Gulf state and in Jordan, it is clear that there are simply too many banks

would allow a locally-licensed banking institution to fail. As a result, some central banks in the region spend a great deal of their time and money propping up sickly banks.

The Saudi Arabian Monetary Agency maintains deposits in troubled Saudi institutions; five of Kuwait's six banks are still in the intensive care of the Kuwaiti Central Bank following the Souk el Manakh stock market collapse. Efforts to persuade any of them to merge as a way out of their problems have come to nothing.

But it is Jordan, in the throes of an economic crisis, that is now pointing the way forward. Last month, the Government used martial law regulations to take over two troubled local institutions, Petra Bank and Jordan Gulf Bank, and vowed to merge them. Since Petra was the country's third largest bank and its chairman, Mr Ahmad Chalabi, had excellent local political connections, such a step would have been unthinkable even a year ago. But the move, which is expected to be a prelude to other local bank mergers, shows what can be done given sufficient determination on the part of the authorities.

The unhealthy proliferation of institutions is only the most obvious structural difficulty in Arab banking to have been highlighted in the past year. Even the largest Arab banks have suffered well-publicised management problems: witness the controversy surrounding the second largest Arab commercial institution, Bank of Credit and Commerce International, largely owned by Abu Dhabi's ruling al-Nahyan family.

In October of last year, BCCI Holdings, the group's Luxembourg-based parent, two subsidiaries and nine bank officers were indicted in Florida on charges of conspiring to possess cocaine and to launder the proceeds from sales of the drug. The bank suffered immediately from withdrawals of funds in the US and, partly as a result, recorded a loss last year of $49m.

Mr Swaleh Naqvi, the bank's chief executive, admitted in a recent interview with Arab Banker magazine that management had failed in the past to take sufficient care of its image. "We – senior management – have grown up with the bank but we did not realise that it had become such an important organisation within the financial community," Mr Naqvi confessed.

Meanwhile, the international Arab consortium banks have been suffering management and ownership problems of their own. Some have disappeared, and those that have survived – such as Arab Banking Corporation and Gulf International Bank, owned by several Arab governments and based in Bahrain, or the big two Euro-Arab consortia BAII and Al Ubaf in Paris – have had to work hard carving out their separate raisons d'etre.

Being owned by a collection of governments or other banks undoubtedly imposes special constraints on these institutions. On occasion, it can make decision-making processes unnecessarily cumbersome. At other times, it can also complicate the raising of extra capital – to cover provisioning for risky loans, for instance. Both BAII and Al Ubaf have in the past year transferred their sovereign exposure to separate holding companies based in tax havens and owned directly by their shareholders rather than trying to tap their owners directly for more capital.

And the fact that none of the big consortia is yet listed on a stock market makes it difficult to agree on a fair price when one of the owners wants to sell out – as National Bank of Kuwait wants to in the case of United Bank of Kuwait, the London bank in which it and the other Kuwaiti banks and investment companies own shares.

Several of the more forward-looking institutions are now taking steps to deal with these problems. BAII, for example, has moved to streamline

It has proved difficult to set in train mergers that might engender stronger institutions

its decision-making procedures at the centre in Paris.

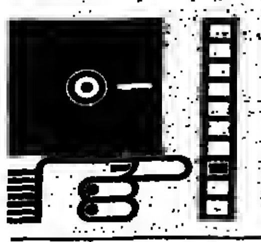
Mr Abdulla Saudi, ABC's chief executive, is seeking approval from his shareholders, Abu Dhabi, Kuwait and Libya, for a plan to increase the bank's capital by offering a nominal $250m of shares to private investors. As well as providing him with funds to consolidate some of the bank's European operations, this will no doubt substantially increase the able Mr Saudi's freedom of manoeuvre in managing the bank.

In discussing the troubles of Arab banks, some of those involved go further and point to what they see as an endemic management problem. Mr Nemir Kirdar, the Iraqi-born president of Investcorp – widely held to be among the most professionally managed of Arab financial institutions – says Arab banks' traditional autocratic management structures are "grossly defective" and "will most probably run into severe difficulties in the decade ahead."

The chances of such difficulties arising will be all the greater if more Arab banks do not decide to join together, pool their resources and rationalise.

SECTION III

FINANCIAL TIMES SURVEY



The most important trend in the sector is the move by many corporate customers towards higher powered personal computers. This means, writes **Alan Cane**, that software has become the driving force behind the industry's growth

Nearly 50 years of progress. Left, UK-designed Colossus, world's first programmable computer in 1943; right, UK-built Research Machines latest model

Personal Computers

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Editorial production: Phillip Halliday

Software in driving seat

SOFTWARE has become the driving force behind the development of the personal computer industry and the principal source of its diversity.

Experts such as Mr Giancarlo Bisone of Olivetti, the Italian office equipment supplier which is the leading European-owned PC supplier, identify a move among corporate customers to high powered personal computers as the most important industry trend today.

The chief reason for that migration is to allow customers to take advantage of the power and sophistication of the latest generation of software. Lotus' spreadsheet version, for example, provokes the illusion that company accounts can be examined in three dimensions. Only PCs using high performance microprocessor chips such as Intel's 80/386 and 80/486 and Motorola's 68000 family are able to exploit such software."

As Mr Thomas Swithenbank, president of the marketing consultancy International Data Corporation puts it: "Software creates a vacuum into which hardware is easily sold."

The move represents a watershed for the industry. Until the emergence of 80/386 and 68000 based machines, PCs were essentially underpowered in comparison with convsntional data processing equipment and limited to simple tasks performed one at a time — albeit at a very low cost.

Trus personal computing remained the province of the engineering workstation, offering minicomputer performance at a cost of $20,000 or so a station. The latest PCs are offering performance levels comparable with engineering workstations but at a fraction of the price. A Dell computer, for example, using Intel's 80/386 chip driven at a clock speed of 20m "ticks" a second (a measure of computing speed) costs in the region of £2,500.

The US-based Dell Corporation, incidentally, exemplifies the directions in which the computer industry is moving as it seeks effective methods to distributs products on which the profit margin is slim.

Dell sells its products by mail order. As a technique for distributing high technology products for which customers require a high level of support this might seem risky. But as the magazine "What to Buy for Business" points out: "Dell offers about the best value to be found in the computer market. It is not just that their machines are very low priced, they offer excellent performance and are backed up by a 12 month on-site warranty and lifetime use of a very clued-up hotline."

In short, quality hardware backed up by support which gives the impression of being tailored to the individual customer.

PCs with this kind of power are adept at running software designed to maks computers easier to use. In particular, they can provide an effective

Software creates a vacuum into which hardware can be easily sold

graphical user interface (GUI), a way of communicating with the computer through symbols and pictures (icons) ou the monitor screen rather than through textual commands.

The industry is moving towards GUI as the primary method of communicatiou between man and machine — a victory for Apple Computer of the US whose Macintosh range pioneered the technique in the early 1980s.

Computer professionals, familiar with text messages on the screen, found it hard to take the Macintosh approach seriously. But as the use of PCs spread through organisations, executives and managers found themselves more comfortable with Macintosh's screen images than with the obscure commands typical of machines running Microsoft's industry standard operating system MS/DOS.

According to Dataquest, the market research consultancy, Apple's unit sales in the US are surpassing those of IBM, the industry leader.

To some exteut, however, Apple's victory on the GUI front has proved pyrrhic. GUI had been its principal source of differentiatiou against other PC manufacturers. That distinction has started to fade as its competitors introduce their versions of the software.

It suffered defeat when it attempted to sue Microsoft and the electronics manufacturer Hewlett Packard for infringing its copyright on screeu displays.

Microsoft's Windows programme, which makes it possible to run separate programs in separate parts of ths monitor screen, and Hewlett Packard's New Wave both bear a superficial resemblance to Apple's screen displays.

The case was of intense interest to the computer industry as the first legal test of whether any single company could lay exclusive claim to the look and feel of a compnter.

A San Francisco judge ruled, however, that most elements of Apple's visual displays were covered by a 1985 licensing agreement between Apple and Microsoft, opening the way for a flood of computers with an Apple-like user interface.

In the past few days, Apple, Microsoft and Hewlett Packard have made it clear they have put the dispute behind them and have agreed to work together on standard formats for text display and printer software.

The move to high powered processors and GUI software

PCs offer performance levels comparable with engineering workstations

apart, the past year has been characterised by an intensification of the trend towards linking workstations together into uetworks either using local area networking techniques or multi-user workstations.

On the other hand, there is growing interest in portable PCs. Compaq brought out, after considerable research and heart searching, a full-function lap-top computer and found it had a runaway success ou its hands. Poquet Computer of Suuuyvale, Califoruia, launched a hand-held computer able to run MS/DOS earlier this month. It is too early to say how successful such an uncouventional machine will prove but Fujitsu, Japan's largest computer manufacturer, has taken a 38 per cent stake in the company.

Personal computers form the largest sector of the overall computer market-place. International Data Corporation estimated the size of the worldwids PC market in 1988 as $47.2bn, compared with $29bn for large systems, and approximately $22bn each for mid-range and small systems.

Interest in the newer, higher powered computers and more sophisticated software has promoted the continued growth of the business, especially in Europe. According to UK stockbroker Barclays de Zoete Wedd and Dataquest, the European PC market is expected to grow by 50 per cent this year and 32 per cent next year in value terms.

In the US, traditionally a couple of years ahesd of Europe in terms of industry development, growth has been significantly slower this year to perhaps only 15 per cent compared with 40 or 50 per cent in earlier years. In the US, the market has become principally one of replacement.

Computer users seeking to upgrade their systems are, however, faced with technology choices that reflect fundameutal disagreements amoug PC suppliers sbout the way PCs will develop.

The most important, perhaps, is the decision whether to opt for IBM's choice of machine design — the so-called "Micro Channel Architecture (MCA)" featured in the more powerful of its Personal System/2 computers or stay with "Industry Standard Architecture (ISA)" and the new "Extended Industry Standard Architecture (EISA)" promoted by, among others, Compaq, the leader in 80/386 computers.

The questiou seems less a technological oue thau whether IBM should continue to be allowed to dominate the direction and shape of the PC industry as it has so far.

IBM announced MCA, an improved method of moving informatiou inside a PC, as the most important feature of its PS/2 range. But the market has been not been taken by storm.

According to Mr John McCarthy of Forrester, a US-based research company: "IBM's market domination has passed. The number of products and buyers has become too dispersed for any one company to maintain control st the level that IBM did in the 1970s and early 1980s. The best example of IBM's decreasing ability to direct the market is the poor acceptance of MCA".

A number of manufacturers, however, notably Olivetti of Italy, Apricot of the UK and

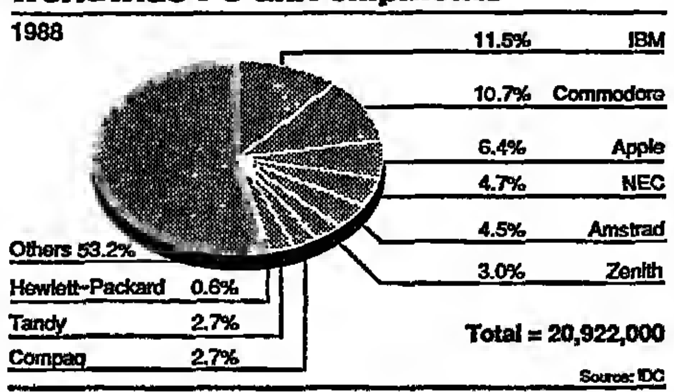
The industry is moving towards GUI as the primary method of communication

Wang of the US have covered themselves by developing separate machines for each design standard. Mr Bisone of Olivetti, for example, believes that neither design will prevail but that the two architectures will exist side by side.

EISA, chiefly the creatiou of Compaq and a number of other PC manufacturers including Hewlett Packard and Tandy of the US and NEC of Japan, is a design which enables the computer to make use of the power of 80/386 and 80/486 chips while retaining the ability to ruu software written for less powerful microprocessors.

The concept has suffered because it has remained under development for the past year while MCA machines have been available from IBM.

Worldwide PC unit shipments



The squabble over multi-tasking proved important for networking

Computer links take shape

WHEN THE personal computer emerged at the beginning of the 1980s it was dismissed as a games machine by many in the data processing fraternity.

But for individuals within an organisation, frustrated by the length of time it took to get a piece of software onto the corporate mainframe, the PC cut through the red tape. Employees could break ranks, walk into a shop and buy a PC and off-the-shelf software package to do the accounts, word processing or spreadsheet.

When IBM legitimised the PC in the early 1980's, the corporate hierarchy rapidly began to focus on this box of tricks as a way of providing computing power at lower cost than the traditional mini/mainframe solution. The problem they faced was how to get information from one PC onto another PC, the printer, or the corporate mainframe. The obvious answer was local area networking.

As networks came into use in the mid 1980's, they were largely proprietary products, developed by numerous small companies. Then, with IBM's growing dominance in the PC marketplace, companies began to follow its lead in networking.

One of the biggest furores in the networking world came a year ago, when network manufacturers began a war of words over who had the best product for networking IBM's latest PC, the PS/2, under IBM's OS/2 operating system. Leaders protagonists in the battle were the two US manufacturers, 3Com and Novell.

But the verbal fisticuffs was an important development in PC networking. Networks based on OS/2 are multi-tasking – they allow PCs to carry on a number of different applications at the same time. When the PCs are linked in a network, users can make use of programs running on another PC on the network.

Figures for the growth of PC networks seem impressive. Dataquest, the market research

The verbal fisticuffs was an important development in PC networking

organisation, reports that there are 1.4m PCs in western Europe which are networked at the moment, but that figure will grow to 3.7m by 1992.

Such large growth figures are partly bogus, disguising the fact that so few PCs are networked at the moment – only about 15 per cent. By 1992 that percentage will still only have risen to about 30 per cent of the total number of PCs in use at that time.

One spur for the growth, says Mr Paul Evans, group manager for Networks Marketing for Digital Equipment, is the trend which has proliferated in the 1980's among many large corporations to distribute their staff in a number of buildings in a number of locations.

"When they do that they are distributing their decision making as well," says Mr Evans. "The question companies then ask is how can information technology reflect the way my company works. Networked PCs is an obvious way of doing this."

In spite of the obvious growth in the market, there is little new happening in the technology of local area networks. Manufacturers and computer users alike have largely standardised on two technologies for local networking: token ring, supported by IBM and its followers and Ethernet, supported by Digital Equipment Corporation and others.

"People are beginning to be very wary about proprietary systems," warns Mr Chris Anderton, product marketing manager for 3Com (UK). That is not just in linking PCs together with networks, but linking those local networks together as well – internetworking.

Many companies have a plethora of networks – the sales department, say, using Ethernet, the accounts department a token ring network and personnel may have bought a proprietary network out of their departmental budget.

The trend towards internetworking, underlines the need for a standard to give truly open systems. Front contender for the job of the internetworking backbone, especially for linking together buildings which are close together, such as on a university campus, is FDDI (Fibre Distributed Data Interface), which has received the backing of both IBM and Digital Equipment.

FDDI, in the final stages of definition in the US, is being promoted by most of the optical fibre specialists, such as Proteon in the US and BICC Data Networks in the UK as the best way to pass large amounts of data between networks.

Up to 16 times the amount of data (100 Mbit/s) can be passed across an FDDI backbone as can be transmitted on a token ring or ethernet system. That makes FDDI ideal for niche applications which require a high volume of traffic – such as video pictures – as well as for interconnecting local networks.

For linking together buildings on remote sites the international packet switching standard dubbed X.25 is beginning to dominate, reports Mr Anderton, either as part of a private communications network, or using a public service run by the local telephone company.

Although today's powerful PCs often replace many of the functions of the corporate computer system at a lower cost, they are not a panacea for all ills. In fact they can produce their own set of problems.

One reason companies are turning to PCs is that they give a degree of power to the

Figures for the growth of PC networks seem impressive but are partly bogus

individual user that a dumb terminal connected to the mainframe did not, and that, companies hope, makes their staff more productive. But because data is stored locally, company employees can easily copy a disk or print out confidential information when they move on to their new job with a rival company.

That sort of horror story, along with fears of computer hackers and viruses, has become a growing worry for many companies using networks. The concern about security has taken off in the past year, reports Mr Marco Kapp, a specialist in computer security at consultants Coopers & Lybrand.

He describes the security on PCs as typically "the weak link" in most company's generally inadequate security systems. "Just because a micro is a micro doesn't mean that the information on it is not important," says Mr Kapp.

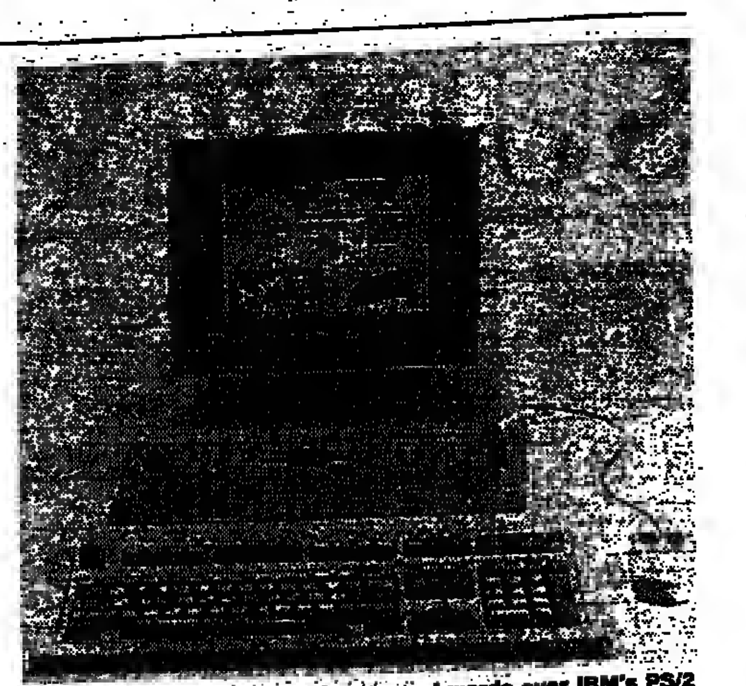
As well as security, another important management issue is how to ensure the network is being used most efficiently. When PCs were stand-alone machines, each user had to keep records or files of information which were duplicated across all the PCs in the office. With networking, that data need only be held in one place, provided each PC has access to the data.

Mr Thomas Olssen, marketing manager of software house Symantec, of Maidenhead, believes this is another area where management may underplay the significance of PCs.

He stresses the need for administrative control in exactly the same way as the data on the old mainframe system was controlled, both to ensure the computer network is used efficiently and data kept secure. "The tasks are similar whether it is a mainframe, minicomputer or PC environment," he advises.

"There should be an administrator to look after passwords, and provide assistance and training, just as there was with the mainframe."

Della Bradshaw



Network manufacturers fought a war of words over IBM's PS/2

INTERFACING

More than a pretty screen

GRAPHICAL USER interfaces (GUIs) have always excited controversy. At one time the argument was over whether command-driven or graphically-based interfaces were better. GUIs have become so popular that large computer companies have litigation disputes about them.

Today's GUI has two components. These are the wimps interface (windows, icons, mouse, pull down menus) and applications windowing. The wimps interface was developed by Xerox at its US research centre in the early 1970s. Xerox tried to design a screen that would reflect the user's working environment by using icons (such as a symbol representing a filing cabinet) to depict everyday functions.

A hand-held mouse guides the cursor round the screen. By placing the cursor over an icon and clicking the mouse twice, the icon can, in the case of a filing cabinet, rubbish bin or folder, be opened to reveal its contents. Icons can also be moved around the screen.

The applications windowing part of the graphical user interface allows different documents to be viewed simultaneously in separate, usually overlapping, boxes (windows). It enables images (including text and graphics) to be moved between different applications, such as word processing programs and spreadsheets, on screen.

The preponderance of the GUI is good news for non-computer literate users

Versions of the wimp interface were first adopted by Apple in its Lisa and Macintosh computers. The Macintosh graphical user interface, which remains proprietary, has proved so popular that a whole host of suppliers have brought out GUIs.

Examples include:

- Microsoft Windows, which is the industry standard windowing system for PCs running the DOS operating system.
- Presentation Manager, which is the version of Microsoft Windows for PCs running the IBM OS/2 operating system. It is more advanced than Windows and uses more memory.
- Hewlett Packard'e New Wave, which is based on Microsoft's Windows but is for use over networks.

Other products on the market include: Open Look and Motif (each for a different version of the Unix operating system), SCO Office Portfolio Manager (for the Xenix operating system), DEC Windows (for PCs, Unix and DEC Vax systems), Open Desktop (a package of products for Unix on PCs).

The preponderance of GUIs is good news for the non-computer literate who find them easy to use. But it is not such good news for Apple.

One of the main competitive advantages of the Macintosh computer is the distinctive look and feel of its user interface. Over a year ago, Apple took up legal cudgels against Microsoft and Hewlett Packard. It maintained that Windows and New Wave infringed its copyright on Macintosh screen displays by copying the look and feel of the Macintosh too closely.

To people outside Apple, the move looked like a spoiling tactic, designed to stave off competition in the GUI area for as long as possible.

Apple's copyright case, which is not yet over, against Microsoft and Hewlett Packard did slow down the onslaught of competition, but only temporarily.

While competitors and software developers were waiting to see if Apple could copyright the look and feel of the Macintosh, they hung fire on GUI products.

Judge William Schwarzer, who presided over the July hearing of the case did not address the issue of whether the look and feel of a computer can be copyrighted.

Instead, Judge Schwarzer concentrated on the 1985 licensing agreement between Apple and Microsoft which allowed Microsoft to use Macintosh displays in its Windows program. Apple said this licensing agreement only applied to the original version of Windows, not to later versions that look far more like the Macintosh.

However, the Judge did not agree. He ruled that this agreement covers most aspects of later versions of the Windows program except for overlapping windows and the appearance and manipulation of the icons.

This ruling takes a lot of steam out of the case by limiting the copyright infringement to these two elements which are less than 10 per cent of the visual displays at issue.

It does not give competitors carte blanche to copy Apple, but it does allow Microsoft to develop and sell new GUI programs, such as the recent Presentation Manager.

Lawyers for Apple say they do not regard the July ruling as a defeat. They contend that the issue of overlapping windows is a important part of the case and some US analysts think they could still win.

Apple UK's managing director, Mr Phil Chauveau, would not comment on the copyright dispute directly but he said that the graphical user interfaces he had seen running on DOS were not as friendly as the Macintosh's interface. He gives two reasons for this.

First, the DOS operating system was not designed to support a GUI and therefore does so less efficiently and less effectively than the Macintosh's system software. Second, Apple pays a lot of attention to the details that can make a system feel intuitive to the user.

Other computer companies can try to copy this, but without a corporate culture that underlies the importance of the individual, they are unlikely to be as successful.

These arguments have some force but are unlikely to persuade companies who want a GUI but have a commitment to DOS or other opsrating systems for which GUI programs are available.

Apple has now taken up legal cudgels against Microsoft and Hewlett Packard

Both Microsoft and Hewlett Packard regard the ruling as a victory. Microsoft's shares rose \$1.75 at the news – Windows is a big seller and Presentation Manager promises to be.

Hewlett Packard had previously filed a counter suit against the validity of Apple's Macintosh display copyrights because, it maintained, they were based on work done at Xerox. Since the July ruling, Hewlett Packard no longer sees this suit as a big issue.

Meanwhile, Xerox has entered the fray. In May it announced a plan to seek licensing fees related to its work on developing graphical user interfaces. Many computer companies could be affected, including those involved in the Apple copyright case. However, it is not yet clear whether Xerox protected its work sufficiently well to enforce its claims although one supplier, Metaphor, has paid up.

A procedural status hearing in the Apple versus Microsoft and Hewlett Packard copyright case took place on September 7. Judge Schwarzer, who implied in July that the parties should settle out of court, has not yet set another trial date. He is still gathering information from all parties (a process known as discovery in the US courts).

The controversy over GUIs continues but the way has been opened for increased competition and users should be the first to benefit.

Jola Shillingford

SECURITY

Conflicts over confidentiality

INFORMATION has now become more important for companies than capital. Or so a manager at Benetton, the Italian textile concern, recently claimed. If correct in assessing the growing dependence of business on information technology, then the phrase computer assisted-bankruptcy could become all-too familiar.

For while the benefits of the proliferation of personal computing have not been too difficult to spot, the down-side of the information technology revolution in the guise of security, has, until recently, remained in the shadows.

"Managers have been all too quick in perceiving the advantages of distributing information," says Professor Henry Becker, director at Zergo, UK computer security company.

"But they have not perceived the disbenefits. Many companies are no longer able to survive without their computer systems. Managers have taken a long time to realise how vulnerable their organisations have become."

Prof Becker adds that managers have been slow to realise the other security implications of computers. They create conflicting demands within organisations about access. The more information is available, the less control there is of its confidentiality and its integrity. There is a danger that management can lose control.

These issues were once only the province of the military and financial institutions. However, the growth in networking, and the increasing dependence of companies on the data contained in computers, mean that board members are becoming increasingly concerned by the implications.

The concern about the dangers threatening companies newly dependent on computers has been fed by the publicity given by the media. The damage wreaked by a virus in a salacious computer game called Leisure-suit Larry — the object of which is to get Larry laid — makes good copy. So too, does the story of a French investment bank which was forced to cease trading after a large computer fraud.

It is, however, extremely difficult to gauge the reality behind the undoubted hype. Estimates of the damage wreaked by computer failure, theft, hacking, eavesdropping and computer viruses vary considerably. Consultants argue that the first rule of security is to avoid publicising any problems. The result of that policy, they gleefully point out, is that the vast majority of losses remain unreported.

Nevertheless, a recent survey by the Fédération des Sociétés Français, des Assurances estimated that French companies lost at least FFr7.9bn through computer fraud and failure during 1987.

Coopers & Lybrand, the accountancy firm, estimates that losses in the UK this year could reach £1bn. About 50 per cent of those losses will be caused by deliberate acts.

Many companies are no longer able to survive without their computer systems

Faced with board members armed with such statistics and newspaper cuttings warning of dangers of computer viruses, data processing managers have had difficulty in assessing the real risk to their companies.

There is no shortage of advice, services and security products to choose from.

The market is highly fragmented, and there are a great many companies with competing technologies clamouring to grab a section of this rapidly growing market. In the US, Frost & Sullivan, the New-York market research company, estimates that the computer security market will grow from $588m in 1988 to over $1bn in constant dollars by 1993.

The first stage is to work out what are the assets held on computer, what are the threats to those assets and finally what are the risks of such threats occuring. There are a number of standard PC packages available for this purpose.

Once the risk has been assessed, data processing managers wanting to answer worried members of the board have a number of options. These include:

- Avoiding the risk altogether by ceasing the activity that created the risk in the first place.
- Accepting the risk. If the company decides it would not be cost-effective to do anything about the risk and understands that when anything happens it will have to accept subsequent costs.
- Insuring against the risk. The insurance market for computer crime and disaster, however, is not well developed. Although there are a number of services available at Lloyd's of London, many insurers state that there is insufficient information available to make accurate assessments.
- Reducing the risk through security measures.

Once it has been decided to reduce risk, there is a wide range of methods available to protect computer information. These include traditional physical access control to prevent unauthorised use of workstations, and computer management systems incorporated in either operating systems or software which prevent unauthorised access to files.

Systems are available to protect communications. These range from encryption programmes based on formal mathematical principles to a simple device called a dial-back modem. This automatically cuts off any incoming calls, checks that the caller is allowed to enter data and is not a hacker, and calls back to accept the information.

One problem for information technology managers is explaining the nature of risk to their superiors — and it is far from easy to explain that it is impossible to eliminate risk.

What is easy to understand, however, is that large sums of money can be spent on both security hardware and software which appear to do little except dent the bottom line of the company's balance sheet.

It may be that the cost of reducing risk, which includes not only the purchase of the system, but also administration, training and maintenance, may be greater than potential losses. Most consultants insist on the need to integrate such systems within a general corporate security policy. There is little point in protecting computer information if it can be picked up after being printed out.

Mr Chris Amery, who is chairman of the Confederation of British Industry computer security working group, also warns that investing in over-elaborate security systems can be counter-productive.

He points out that there is little point in installing a complicated and slow access control system in a busy corridor. The door will more than likely end up propped open by a fire-extinguisher. Similarly, if elaborate pass-words are required to enter a system, they will tend to be written down which defeats the whole purpose of the system.

"The key to security is implementation," says Mr Amery, who is also responsible for security in the technical relations section of IBM. "If every member of staff can be helped to understand that he or she is individually responsible for security, then that is far more effective than buying expensive hardware or software."

Paul Abrahams

Alan Cane tries to unravel the workstation versus PC dispute

The powerful and the crude start to fight on equal terms

APOLLO COMPUTER, the US-based computer subsidiary of Hewlett Packard, this month took a large step towards a further blurring of the distinction between personal computers and workstations.

It announced a machine called the Series 2500, Apollo's entry level model. It costs only £3,400 — that is, about the price of a moderately powerful PC, yet it delivers 3.5m instructions per second (mips) and features high resolution graphics and a floating point processor chip. It is based on Motorola's fastest conventional 32-bit processor, the 68030.

The question of PCs versus workstations is beginning to take on the status of one of the "either/or" battles that characterise the industry. Others include Microchannel Architecture (MCA) versus Extended Industry Standard Architecture (EISA) and Unix System V versus AIX.

What conventionally distinguishes a technical workstation from a PC? Mainly power, functionality and price.

Workstations are very powerful. They are usually based on reduced instruction set computing (risc) chips such as Sun's Sparc or Motorola's 88000 delivering many mips of power. At the top of the range, for example, Apollo's 10000 Personal Supercomputer offers more than 100 mips — more than IBM' largest mainframe.

They feature high definition screens capable of handling the finest detail of a technical drawing and can be connected together into networks so that working groups of scientists or technologists can share programs and data. They can cost between $10,000 and $30,000 per station. Scientific workstations are as close as it is possible to get in today's technology to the ideal PC.

Existing PCs, by comparison, are crude; they are under-powered, capable only of limited tasks and are difficult to connect together in networks. They use low definition screens which are not capable of handling highly detailed graphics. On the other hand, they are very cheap — a powerful PC can be bought for a few thousand dollars.

With the emergence of the first 32-bit chips from Intel and Motorola, which handle information in 32-bit chunks like a minicomputer, it is becoming possible to build machines with much of the performance of a workstation for the price of a PC. The finance industry has been among the first to realise the competitive advantage of equipping their dealing rooms with these super PCs.

Earlier this year, Lotus Development Corporation, the leading supplier of PC spreadsheet software, and Sun Microsystems signed an agreement under which Lotus will develop applications programs to run on Sun's computer workstations.

This is the first time Lotus has designed software to run on Unix operating software which enables workstations to carry out more than one task at a time and communicate easily with each other.

Leading workstation manufacturers include Digital Equipment (DEC), Hewlett Packard and Sun Microcompnter, the fastest growing of all US-based workstation vendors.

The workstation market is growing dramatically. Figures from the marketing consultancy International data Corporation suggest that in the US alone, sales rose from $150m in 1983 to $4.3bn in 1988.

Workstations are very powerful . . . existing PCs, by comparison, are rather crude

At the start of the year, Sun was leader with 38.3 per cent, then came Digital Equipment with 18.6 per cent, HP with 16.9 per cent and Apollo Computer with 13.5 per cent.

The surprise of the year was the announcement in April that HP intended to buy Apollo in a $500m deal, the first time in more than 20 years that HP had undertaken a big takeover.

Viewed with some scepticism by analysts at the time — the two companies were very different in corporate culture — the takeover seems to have gone through amicably.

Apollo has become a division of HP and the new entry level 2500 is a product of Apollo's technical expertise. Over time, however, the product lines of the two companies are expected to come together around HP's own risc.

Both HP and Apollo were founder members of the Open Software Foundation, set up last year to develop an industry-standard Unix operating system. Mr John Levinson, an analyst with stockbrokers Goldman Sachs in New York believed the company's stock would outperform the stocks of other large end-user computer vendors.

In the same month, Sun launched six computer systems including the Sparcstation 1, a 12.5 mips machine the company intended as a bridge between workstations and PCs.

Mr Scott McNealy, Sun's president, claimed it was the most powerful, full function machine available for under $9,000. The cost tops £15,000 with colour display and hard and floppy disk drives.

According to Mr Thomas Swithenbank, president of the International Data Corporation, the winners in workstations in 1988 were DEC, with high monthly shipment rates and aggressive price/performance from its risc-based designs; HP, which had shown it was serious about Unix and was reaching new customers with its strong products and image; and Sun with a consistent 30 per cent market share. It doubled its number of installations between 1987 and 1988.

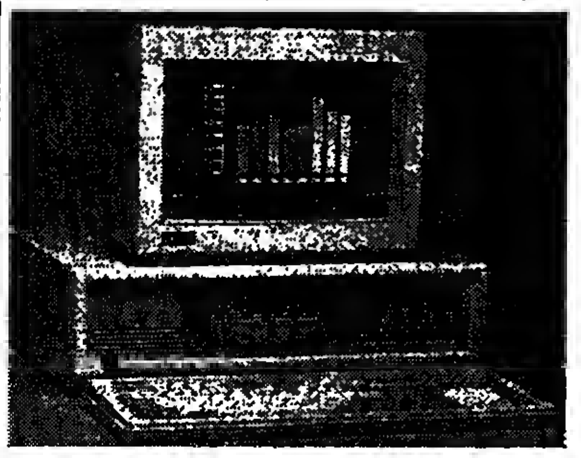
Losers, Mr Swithenbank said, included the Japanese companies Sony and NEC who found themselves short of applications software and had distribution difficulties, and IBM whose 6150 risc-technology machine had failed to convince as a technical workstation.

In the past few months, however, Sun's spectacular progress has been checked by its first quarterly loss, caused its seems by a loss of management control at a time when the company was going through considerable perturbations as a result of the introduction of the models. Problems with a new computerised management information system did not help.

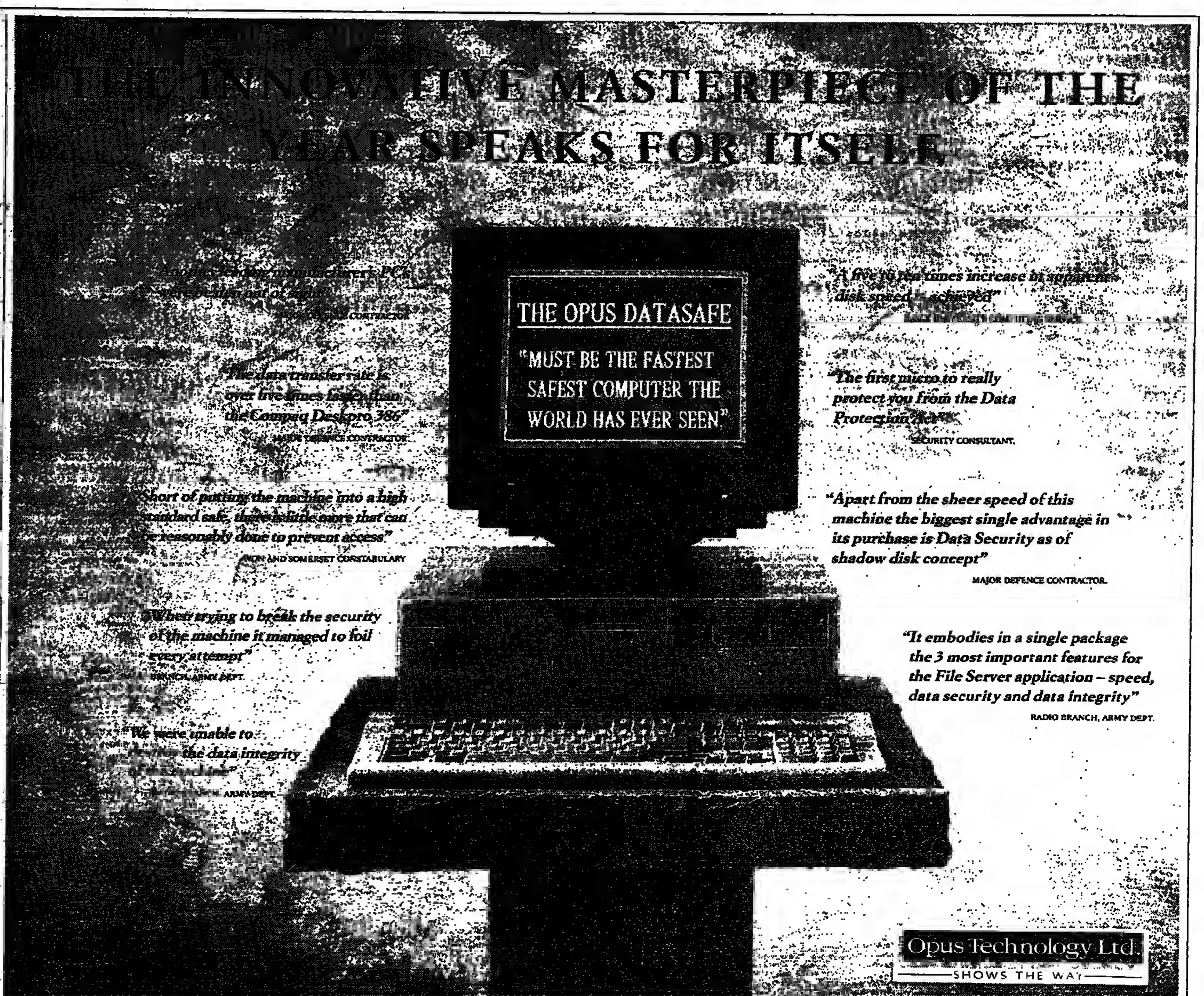
Analysts however remain sanguine about the company's prospects.

What for the future? Will computer manufacturers have to abandon separate PC and workstation divisions as PCs acquire more power and the distinction erodes to the point of invisibility?

Mr Mark Miller, workstation marketing manager for HP UK thinks not. "There will always be a place for a simple, stand alone and above all cheap window into the corporate computing world," he argues "and that is the job of the personal computer."



PCs that utilise the 32-bit microprocessor, such as the Compaq 386 (left), have much of the performance of a workstation (right)



Hardware development may be leaving the software suppliers behind, says **Andrew Lawrence**

Inexorable growth of the microprocessor

THE PERSONAL computer has advanced quickly since IBM entered the fledgling market in 1980. Software, storage devices, displays, and peripherals are all cheaper and more reliable. But it is the basic microprocessors which drive the computers that have advanced the most.

These are far more powerful than their predecessors of a few years ago and experts believe the pace of progress is increasing. The first IBM personal computer was powered by an Intel 8088 microprocessor with a performance of about one quarter of a mip (millions of instructions per second).

In April this year Intel unveiled its 486 microprocessor, which will initially run at about 15 mips. Personal computers designed around the chip, which will start shipping at the end of this year, will be more than 50 times more powerful than that first IBM.

The power of the 486 will be used to make PCs easier to use, faster, and capable of more complex mathematical calculations. They will be able to carry out more tasks and work together on networks with increasing co-operation.

The new Intel chip is expected to shake up not just the PC market, but the minicomputer market, a fiercely competitive market segment where Digital Equipment, IBM, Data General, Wang, Prime and Bull are among the leading players.

The power of the 486 will enable PC makers to compete with minicomputer suppliers with cheaper machines which run industry standard programs. In May, Apricot Computers, the UK manufacturer, launched the first computer built around the 486, the VX FT Server.

The new generation of computers, proclaimed Mr Roger Foster, executive chairman of Apricot would put the minicomputer industry into "irrevocable retreat." He said that problems suffered by companies such as Wang, Data General, Nixdorf and Norsk Data, could be partly attributed to the progress of PCs in minicomputer markets.

The majority of PCs are built around Intel microprocessors. Compatibility with IBM PCs is considered to be a precondition of success by most PC suppliers, and this demands that an Intel processor be used. Intel has not disappointed its customers by providing the 286 (1-1.5 mips), the 386 (3-6 mips) and now the 486 (15 mips upwards).

The progress in microprocessor development is not confined to Intel. Apple, the only leading PC supplier not offering IBM compatibility, is using 68000 series microprocessors produced by the US microchip company Motorola.

Mr John Edbrook, product marketing manager for the Apple Macintosh computer, said that the Motorola 68030 processor gave similar performance to the Intel 386, and the Motorola 68040 compared well with the Intel 486.

New computers will put the minicomputer industry into "irrevocable retreat"

Motorola and Intel have announced processors using reduced instructions set computing (risc) techniques. Although these will probably not be used to drive PCs, IBM has demonstrated a plug-in card using the Intel 860 risc processor to significantly increase PC performance.

There seems to be no limit to the potential power of the microprocessor. The chip designers have a rule of thumb, known as Moore's Law, which states that the density of transistors on a chip doubles every year.

At a recent presentation, Mr David House, Intel senior vice-president, estimated that, using this law, Intel might produce a microprocessor in 2000 which has 100m transistors and can process 2,000m instructions per second.

Software and computer designers are more concerned with the impact of the Intel 486. When the Intel 386 was launched three years ago some analysts thought it so powerful that Intel would have difficulty selling the processor. PC users, it was argued, were getting the power they needed from the 286 processor.

According to Context, the PC market analysts, £50m per month worth of PCs built around the 386 were being shipped in the UK, compared with £48m per month of 286 PCs. Analysts expect the market for PCs using 286 processors to gradually fall away, while the market for 486 machines will emerge.

Initially software houses will struggle to develop applications which make full use of the 486, said Mr Paul Bailey, UK managing director of Lotus Development, suppliers of the 1-2-3 spreadsheet program.

"The power of the hardware is increasing faster than the ability of the software developers to use it," he said.

Mr James Blackledge, group marketing and communications director for Apricot saw *several initial markets for 486* machines. Powerful processors were needed for single user applications such as desk-top publishing, computer aided design, presentation graphics, large spreadsheets, developing new software applications and running artificial intelligence programs, he said.

However, Apricot is concentrating on the multi-user market where the power is required to support large numbers of terminals, or provide quick responses to requests for information from file-servers on local area networks.

Mr Bailey said that the extra power of the 486 processor would be required to develop "friendlier" interface software. As software suppliers concentrated on making software packages easier to use by adding intuitive graphical interfaces and even voice and visual recognition systems, they would nsa greater amounts of processing power.

Tha availability of the new processors is likely to accelerate the move away from the DOS operating system, the software which was astablished by IBM as the standard way to control a PC throughout the 1980s.

IBM believes DOS cannot take advantage of the latest microprocessors, and offers OS/2 as its alternative. With the arrival of the 486, DOS will look even more dated. There are those who think the race to provide more mips has got out of hand. The computer industry might applaud the latest advance, but does the user need it quite so fast?

Mr Edbrook of Apple thought that too many suppliars were concentrating on "megahertz and mips" when there is often little software to take advantage of the speed.

"In my view performance is about the whole system and how the power is used to help the user get the job done." He does not doubt, however, that software houses will use the power.

Although PCs using the 486 are certain to steal market share from the traditional minicomputer suppliers, not all of today's PC vendors are likely to find it easy. The 486 and the 68040 both run at high speed and have several features which earlier processors do not have.

The best PC designers will take full advantage of the technology while *some* PC suppliers may suffer if they fall behind in offering systems designed around the latest technology.

From little acorns . . . an early stage in chip design

Risc-based architecture

A simple trade-off

IS REDUCED instruction set computing (risc) the way of the future in personal computing or simply one of those passing fashions to which the industry is especially susceptible.

The pragmatic answer is that it is certainly one way in which computer manufacturers will improve the performance of their systems, but by no means the only one.

Given the number of manufacturers producing risc-based microprocessor chips and the fact that Hewlett Packard, one of the leading US computer manufacturers has designed all its new computers since 1986 around risc designs, it is clearly more than a nine-day wonder.

But whether it will ever replace conventional complex instruction set computing (cisc) in the mainstream of PC development is an open question.

Risc is still sufficiently novel to require some words of explanation. Essentially it has evolved out of an increased understanding among computer scientists in recent years of how computers operate.

Risc has evolved out of an increased understanding of how computers operate

The central processing unit of a computer is designed to carry out a finite number of fundamental operations; examples include adding two numbers or shifting data from one register to another. The list of such operations a computer can carry out is called the instruction set.

Over the years, the instruction sets of commercial computers have become lengthy, convoluted and complicated by the use of microcode, special instructions embedded in the instruction set which build up complex instructions from simple ones.

A mid-range minicomputer such as Hewlett Packard's HP 3000 has over 250 instructions. Computers with complex instruction sets of this kind had a remarkable repertoire of computing tricks at their disposal but at a price — complex instructions take time to execute. Furthermore, as the semiconductor specialists set about shrinking entire computer architectures onto silicon, they realised that cisc designs took up a prodigal amount of the chip surface — difficult to design and hard to manufacture.

In the late 1970s and early 1980s however, computer scientists developed instrumentation which enabled them, with considerable accuracy, to determine what was happening within the computer as it processed a calculation.

They discovered a remarkable fact; the instructions most used were the simple ones. The complex instructions which were time-consuming for the computer to process were used only 20 per cent of the time. Simple instructions — add, subtract, branch, load, store — were used the remaining 80 per cent.

That discovery opened the door to a new concept of computer architecture involving only a small number of simple instructions each of which could be processed at high speed.

Complex instructions could be built up in software from simple ones through the use of "optimising compilers," special software that translates human programmers English-like commands into computer language.

Risc, of course, was not giving anything for nothing. Simplicity in the instruction set — and indeed in the design in silicon — was traded off against software complexity.

Scientists at IBM were among the first to use the new architecture although its first risc-based machine, the 6150 scientific workstation did not appear until 1986. Now a broad choice of risc machines exists and an industry war is developing over efforts by particular semiconductor manufacturers to have their chips accepted as the risc standard.

The list includes a raft of US-based companies such as Sun Microsystems, an aggressive manufacturer of scientific and engineering workstations, MIPS, Intel, maker of the processor which powers IBM PCs and clones, and Motorola, which makes the processor at the heart of the Apple Macintosh.

It also includes Inmos, a subsidiary of SGS-Thomson, whose transputer was one of the first true risc chips, and Acorn, part of the Italian Olivetti organisation, whose microprocessors still have a powerful following in UK schools.

Sun and Mips have licensed their design of risc chip for manufacture by other companies.

Sun's Sparc chip, for example, is fabricated by Fujitsu of Japan, as well as LSI Logic and Cypress Semiconductor of the US. The Mips chip is made by LSI Logic, Integrated Device Technologies and Performance Semiconductor.

In CMOS, one of the slowest of the semiconductor technologies, these chips can run at 10 million instructions a second (mips), the kind of speed that only the largest commercial mainframes could approach a decade ago.

In emitter-coupled logic (ecl), the fastest silicon technology, a sparc chip can be fabricated that will run at 40 mips.

A Colorado-based company, Prisma, is developing a version of the sparc chip in gallium arsenide which many believe will take over from silicon where the highest processing speeds are required. The Prisma sparc is expected to run at 240 mips.

The world leaders in microprocessors, Intel and Motorola, ware comparatively late into the business of commercial risc chips and their approaches are quite distinctive.

Scientists discovered that the instructions computers most used were simple ones

Motorola'a 88000 series can deliver up to 17 mips and is essentially a classic risc ship; Intel's i860, on the other hand involves risc processors embedded in a device featuring more than 1m individual transistors and specialised for supercomputing and graphics.

What are the uses of risc chips? So far, only Hewlett Packard has taken the bold step of turning its entire commercial range over to risc technology. The most popular use is in scientific workstations, where they provide technologists with a supercomputer on their desks.

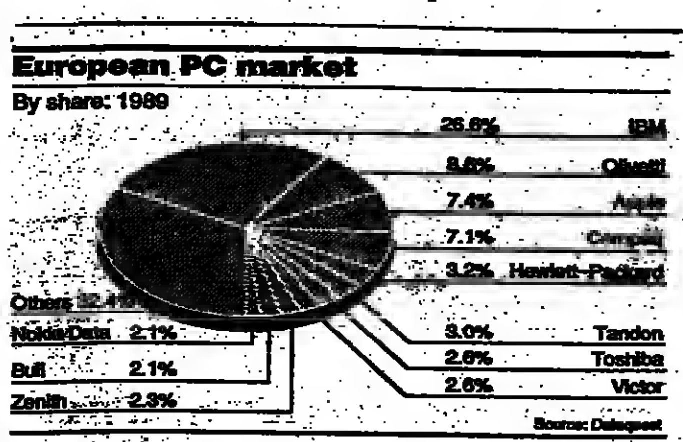
Sun, the fastest growing manufacturer of workstations in the US has been working hard to establish the Sparc as the industry standard.

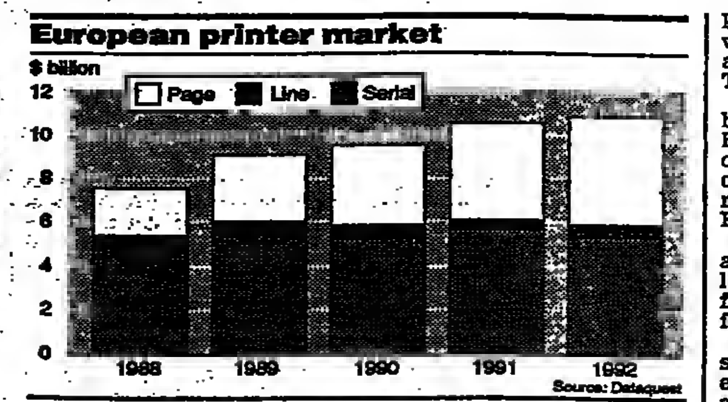
It was its arrangement with AT&T to work together on the development of an industry standard version of the operating system Unix, specially tuned to the Sparc architecture, that helped to spark the "Unix Wars" of last year. This resulted in the formation of the Open Software Foundation and Unix International.

Typical of the kind of arrangements emerging is the licensing agreement between Sun Microsystems and the UK subsidiary of Tatung, the Taiwanese PC company.

Tatung intends to manufacture and distribute workstations based on Sparc processors, running Unix and using the Open Look graphical interface developed by Sun and AT&T.

Alan Cane





Alan Cane finds Europe an enthusiastic and sophisticated market

Outside suppliers dominate

EUROPE'S POSITION in personal computers is decidedly unbalanced. International Data Corporation, the US-based marketing consultancy makes tha point well: "US companies dominate the computer industry, yet in 1988 much of the world-wide growth that took place occurred in western Europe.

As companies such as IBM and Unisys report poor financial growth for the first quarter of 1989 so the targeting of Europe ceases to be an option and becomes an absolute necessity in the quest to increase revenues.

From those companys' point of view, it is fortunate that Europe is an enthusiastic and sophisticated user of PCs. Almost 7m PCs were sold in Europe in 1988 while IBM, the industry leader, shipped more than 100,000 machines each to West Germany, France, the UK and Italy.

Europe is a competent PC designer. Of the 400 or so individual machines recorded in the 1990 edition of the PC Year Book (VNU Business Publications), a reasonable proportion were either designed or manufactured in European countries. Most of the essential components, however, such as microprocessors and video screens, are sourced from the US or Asia.

Yet Europe has contributed comparatively little to the development of PC technology. The principal industry standard PC designs — the IBM PC and the Apple Macintosh — originated in the US as did the Intel and Motorola microprocessor chips on which they are based.

The principal PC operating systems, MS/DOS, OS/2 and Unix all originated in the US. To be fair, it has heen the European manufacturers, who, seeking to level the playing field, have made most of the running in establishing Unix as a powerful contender for the role of industry standard operating system for small and medium-sized computers.

Now the US-dominatad groups, Open Software Foundation and Unix International, have returned to the game, each seeking to establish their own version of Unix as the standard.

The main PC software packages; Microsoft's Basic language, Lotus' 1-2-3 spreadsheet and Aston Tate's Dbase filing system series, are all US in origin.

Europe contributed comparatively little to the development of PC technology

Such dependance on outside sources of supply has caused problems for European manufacturers.

Apricot of the UK, a convincing competitor at the top end of the PC performance range, found itself unable to supply its most advanced machines — those featuring a version of IBM's Micro Channel Architecture (MCA) — when a US supplier of the special microchips involved struck production difficulties.

Amstrad of the UK, which pioneered low-cost copies of IBM machines in Europe was plagued by a shortage of memory chips at the end of 1988 which adversely affected its profitability.

Compared to the US, however, where PC sales and growth are dull, the European market is robust. Dataquest, the US marketing consultancy, forecast that market growth in Europe would be 32 per cent in 1988; the actual figure was just over 50 per cent.

Intelligent Electronics, a Dataquest subsidiary based in Paris notes: "This is an indication that the PC market in Europe is far from saturated. The volume growth areas in the overall market were in laptops and in 286/386 based machines."

Intel'a fastest volume microprocessor range is the 80/286, 386 and 486. IBM has just beaten its competitors to the punch with the introduction of a machine running the 80/486 microprocessor.

IBM remains the overall market leader in Europe with just over 20 per cent of the market followed by, in terms of total volume in the business sector, Olivetti. Looked at in terms of valne, Olivetti is running neck and neck with Compaq which is repeating its remarkable US growth story in Europe.

Compaq's success — it is ahead of IBM in sales of top-end machines — is to a large extent the result of its careful cultivation and control of the dealer sales channel.

Sales of PCs in Europe are still chiefly through dealers of which, IDC estimates, there are some 23,000 in Europe.

Leaving aside the high street chains whose commitment to business compnting seems unpredictable, European dealerships seem to be evolving in a number of directions. One trend of importance, for example, is the development of more sophistication in suppliers' or distributors' direct sales forces as they deal with companies investing in PCs lste in the day.

IDC argues: "Success here depends on large discounts, comprehensive service contracts and detailed knowledge of the networking and integration of PCs in data processing environments."

Value added resellers, dealers who package together software and hardware to solve their customers' problems, are increasingly using PCs to run software that they would previously have written for multi-user minicomputers, giving significant savings in the cost of the hardware.

The principal reasons for the growth of the European market, Dataquest argues, is an accelerating demand for the top-end 80/386 machines by large accounts and the replacement of first generation machines

Even West Germany, a country which is notoriously conservative in its attitude to personal computing, showed a growth rate of about 30 per cent in the first half of 1989,

Dataquest comments: "For a country which is considered conservative, this is a very positive sign, even if it is below the industry average. More than in most other European countries, large accounts drive the development of the market and this growth can be partially explained by the West Germans' increasing acceptance of the PC as an integral part of the corporate data processing environment."

PORTABLE COMPUTERS

Information on the run

IF Graham Brown had a dog it would not be as loyal, and not as portable, as his little Toshiba.

Everywhere Mr Brown goes his Toshiba 1000 tags along. Mr Brown, an information-technology consultant, even takes it on holiday to turn dnll moments into productive ones. He is not as dull as he sounds.

Mr Brown is evangelical about portable computers. He leads e peripatetic life and finds tha Toshiba invaluable for working on the move.

"During the recent train strike I drove into London very early in the morning. At 6.15 am I could be hard at work in the Institnte of Directors thanks to the portable."

He uses the machine for writing notes, letters, scheduling and sending memos over the telephone to clients. "I'm connected to Telecom Gold (a public electronic mailbox service) and directly into some of my client's computer systems."

Portabla compnters are divided into two main types, with a third emerging: transportables, laptops and a cross between a large calculator and a small laptop.

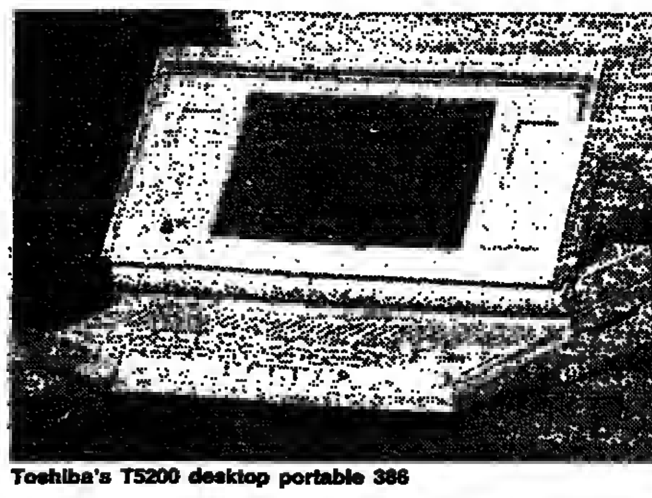
The first portables were hig and rather bulky devices that weighed about 25 pounds, looked like sewing machines in their cases and could be lugged from one place to another. They acquired the name luggables or transportables. Compaq mada tbe most popular machine.

Transportables contain most of the features of bigger desktop PCs and are popular with people who need powerful machines for say, working at home or using as demonstrators at trade shows.

Most popular portables are the much smaller laptops. These are computers that ahould enable you to compute while they sit on your lap. But like babies they come in different sizes and some sit rather uncomfortably.

The smaller machines, such as those from Tandy and Cambridge are extremely light, can fit in a briefcase, and will be comfortable on your knees while you are incarcerated in train or plane. Although they offer a full-sized keyhoard, tbeir power, memory and screens limit their use.

Bigger laptops have large flat screens that fold out. Most of these machines offer at least one disc drive and the more expensive versions have hard discs. While compact, these fully-featured laptops are quite heavy and are less than ideal for highly mobile people.


Toshiba's T5200 desktop portable 386

Mr Brown, for example, chose the smallest Toshiba becanse it weighs only 6 pounds. He added extra memory and says it is ideal for his needs. The total package, inclnding Sidekick Plus software and a small modem, cost about £1,000.

After a difficult start laptops have found a ready market among people who need to collect or present information while outside the office.

Some travelling representatives use portables to collect orders from shops. At the end of their rounds they plug their computer into a telephone socket and send the information to base. There it is transferred to the main computer system, one copy goes to accounts and the other to despatch. Warehouse workers read orders direct from the screen and there is a minimum of human interference between the order being taken and despatched.

The computers are used in similar ways by shippers and oil companies, such as BP Oil. Marine inspectors from BP board boats with their portables, type and store their findings on the machines and then despatch them to base.

As data-capture devices laptops are invaluable. They are used hy some companies to present complicated information to prospective clients. For example, Allied Dunbar, the financial services company, equips their representatives with laptops which they take to clients' offices and bomes.

Clients get a personalised view of what their investments could deliver, with the compnter making projections according to its inhuilt program. The puhlic relations valua is obvious.

For office-bound workers the benefits of portables are less clear. One of the trumpeted plusses is their compact size, or in the jargon, their small footprint. Why, goes one advertisement, buy a full-sized PC when you can get all the features in a laptop suitable for the desktop too? Price is a good reason why not.

"You are paying a premium of around 20 per cent for a smaller machine. That's a lot of money for the benefit of being able to put it in a cupboard," says Tim Turner of the Ascot-hased Personal Computer Consultancy.

Mr Turner, who advises large companies such as BP Oil and ICI, says many requests for fully-featured laptops come from office workers who want a PC at home.

Most of the technical problems affecting laptops have been overcome. The main hitch was developing a light and flat screen that would give a good display without depleting the machine's batteries too rapidly.

Liquid crystal display (LCD) technology, similar to a calculator screen, hss haen improved sufficiently to overcome the problems experienced by early laptops. The manufacturers have also produced resilient hard discs that snrvive hard knocks.

"Portable technology follows PCs by a year to 18 months," says Mr Nick Smith, managing consultant at Regis McKenna. "That is why you bave MS-DOS machines but no PS/2 portables yet."

Mr Smith says portable computers must be viewed in the light of a working culture that is becoming more mobile with an increasing number of people working outside the office in hotel rooms, while travalling and at home. Portable technology makes a change in work-style possible.

Maybe this is why a recent survey of the PC market by Barclays de Zoete Wedd, stockbrokers and market researchers Dataquest showed a 100 per cent increase in size of the laptop market in the UK in the first six months of this year, and an increase of 200 per cent in value during the same period.

This indicates that the more expensive laptops are selling well. Mr Turner's advice on how to save by not paying a premium could obviously benefit the companies contributing to the 200 per cent increase in market value.

Although this market sector is showing dramatic increases in volume it is still small compared wlth desktop PCs. Besides price, one of the factors restraining the market is the size of laptops. The majority are just too bulky and cumbersome to carry around easily.

Manufacturers are feverishly working on versions that would fit into a briefcase, rather than their own carrier bag, without losing too much power and flexibility.

Atari has produced a device called Portfolio which is a cross between a personal organiser and a laptop. It is the size of a paperback book and it offers a fold-out screen and a ratber cramped querty keyboard.

Psion, the successful UK maker of hand-held personal organisers, is launching a compact laptop on September 26 and other machines, some with folding keyboards, are expected soon.

It is these highly portable machines that will boost laptop sales.

Peter Knight

US PC SECTOR

Maturity brings a refashioned market

PERSONAL COMPUTER manufacturers in the US are talking about the "good old days," the days of steady growth in a market dominated by first time buyers. As the US PC industry matures, growth is gradually slowing, specialist segments are emerging and PCs are being assimilated into the broad spectrum of business computing.

The days when industry standards prevailed, when eager customers faced a simple choice between the products offered by Apple Computer and a tribe of IBM-compatible PC manufacturers are fondly remembered by US PC manufacturers and software publishers alike.

Over the past two years, technology advances and marketing strategies have fragmented those industry standards. PC buyers face a bewildering choice of bus standards, graphics standards, disc drive sizes, operating systems and graphical interfaces.

Fearing obsolescence, and thoroughly confused, some potential buyers are sitting on the sidelines, analysts believe. Others are evaluating the latest technology more critically and wondering what advantages new machines have to offer.

Fearing obsolescence some potential buyers are sitting on the sidelines, say analysts

The result has been a market shake-out that has eliminated some marginal manufacturers and a significant number of computer retailers. Leading US PC manufacturers have, however, increased their dominance of the market.

Sales growth by IBM, Apple Computer and Compaq Computer have outstripped analysts' projections. "The market in general is doing well, and we're doing at least as well as the market," Mr James Cannavino, IBM's top PC executive, told industry analysts this summer. IBM's US PC sales rose by more than 40 per cent in the second quarter, compared to the same period last year, he said.

IBM's share of the US PC market is stabilising at about 20 per cent after falling precipitously over the past two years, according to market researchers.

Compaq is winning market share holds about 8 per cent of the US market, up from 6 per cent two years ago. Apple Computer holds 12 per cent up from 9 per cent, according to International Data Corporation, market research group.

The total value of US PC sales last year was measured at about US$25bn, with market growth running at about 20 per cent. Projections for the growth of the US PC market this year vary dramatically.

Some industry studies suggest growth in PC demand is slowing to a crawl. A controversial mid-year survey conducted by Datamation magazine and the investment bankers Cowen & Company projects 1989 unit growth of only 0.8 per cent. It also predicts that dollar volume this year will rise by 5.8 per cent.

Others are more optimistic. International Data Corporation projects growth at 11 per cent, while Storeboard, which measures retail PC sales expects growth in the range of 10 to 15 per cent. The disparity in these projections reflects the complexities of today's US PC market.

What is clear, however, is that sales of low-end PCs o consumers, schools and businesses have slowed dramatically. The disappearance of many local computer stores, along with the well publicised bankruptcy of Leading Edge, one of the largest clone suppliers, have cooled consumer enthusiasm.

Also slowing sales are rising prices. The downward spiral in PC prices was initially halted by the memory chip shortage. Since then, PC prices have stabilised and in spite of price cutting the cheapest PCs to about US$1,000.

Among corporate PC buyers, macro-economic uncertainties have added to the general confusion of the PC market leading to deferrals of purchases.

Caught out in a generation gap are such stalwarts of the PC market as the IBM AT and its clones — the mid-range workhorses of the personal computers — built around the Intel 286 microprocessor. These machines appear to be doomed to early obsolescence and are being replaced on seller's shelves by 32-bit PCs powered by Intel's newer 386 chip.

The advantages of the latest chip technology have yet to become evident to PC users, however. Software that can take full advantage of 32-bit personal computing has been slow to emerge.

In part, this is because Microsoft and IBM have collaborated to cause a shift in PC operating system software away from the widely used MS-DOS operating system and to a new OS/2 system.

While OS/2 promises to significantly improve the performance of PCs, it requires the development of new versions of popular applications programs which have proven to be a challenge to many software developers.

Adding to the uncertainties is the legal dispute between Apple Computer, Microsoft and Hewlett-Packard over graphical user interfaces, an important element of the next generation of PC software.

One segment of the PC market that appears to be growing fast, in spite of broader market trends, is for portable PCs.

IBM's share of the US market has begun to stabilise at something like 20 per cent

Having been hooked by desktop computers, a growing range of professionals, sales executives and other business travellers are finding it impossible to leave their primary business tool behind. Emerging as leaders in the portable PC market are Zenith, Toshiba, Compaq and Tandy with growing competition from NEC.

At the high end of the PC performance scale, sales of very powerful PCs, which compete with computer workstations are growing vigorously as they increasingly replace minicomputer terminals.

These trends may signal a redefinition of the PC market. Two important segments are emerging. The first is for computers that are truly personal — either portable or customised to fit the individual needs of a user. The second is for microcomputer based desktop supercomputers that provide individual users with dedicated computer power while also linking them to all of the resources of a corporate computer network.

Richard May on Japan's love-hate relationship with the computer

Market lags behind the West

PUBLIC CONCERN and press reports of Japanese competitiveness in high-technology markets abroad cannot obscure the fact that Japan's home markets sometimes look a little anaemic.

In the high-tech area perhaps the most unbalanced development is in the domestic personal computer field.

In all areas — the office, home, school — the application of PCs to real world problems and learning situations lags far behind the West. Non-standardised equipment, a plethora of non-compatible operating environments, high prices, the lack of experience with keyboards and the failure of software houses to produce "killer apps" have retarded the domestic usage of PCs.

The killer app is that special software programme, such as the Lotus 123, that comes along only every couple of years.

Some makers here believe that the PC market is about to explode. For one thing, user reticence to use keyboards is fading. Because of the complexity of the Japanese language, which combines both indigenous phonetic characters and Chinese ideographs, the use of typewriters has not been widespread.

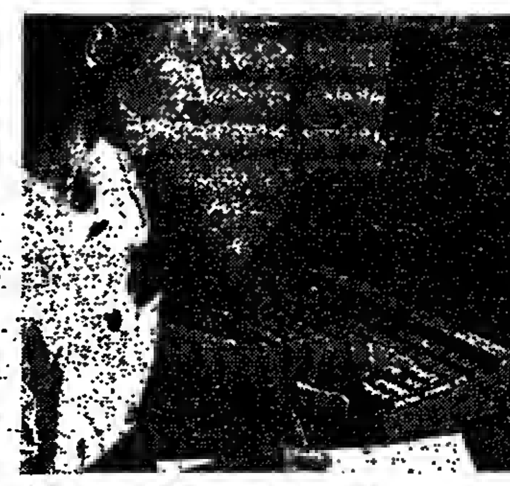
When the electronic age began people became familiar with keyboards. With the standardisation, mora or less, of kana (Japanese character) keyboards and the ability to store the essential 4,000 kanji (Chinese characters) on a single IC chip, the stage appears to be set.

Diffusion rates for PCs in the Japanese school system are still low — one PC per 40 high school students claimed a recent survey. Similarly, PC usage in offices lags far behind that in Europe and the US.

One interpretation of the situation is that the proliferation of choices for PC operating environments is too much of a good thing. Although each has its merits, the crowded market-place is a mess from the Japanese consumer's point of view.

A purchaser of PCs in Japan must consider the merits of various operating systems: OS/2 for 32-bit computers, MS-Windows from Microsoft of the US, JS-Windows (a kanji-based window system) from Just Systems in Tokyo, standard MS-DOS (though seldom standard enough to run the range of programmes that US clone makers can guarantea), and UNIX from AT&T in both English and kanji versions.

Off stage, waiting to enter


Apple's latest Macintosh portable

the fray, is the TRON operating system, spearheaded by a Tokyo university professor hoping to create an open operating system for PCs, more adapted to the Japanese culture and language than UNIX for example.

Manufacturers tend to hedge their bets. Canon is simultaneously producing a PC in the AT/AX category, its own proprietary system for word processors and acting as agent for Apple Compnter as well as making a $100m investment to become the Far East agent for Mr Steve Jobs' new enterprise, Next Computer, using its own version of the UNIX operating system. To top it all, Canon has an original equipment manufacturing agreement with Hewlett Packard.

Sony, meanwhila, has its well-received NEWS series of UNIX based machines, a range of word processors, and bases its business line of PCs on MS-DOS with derivatives based on the AX standard. This is fairly representative of market spreads based on multiple product series thst Japanese makers are introducing to hedge their bets.

For all the diversity, there is a dominant player in the market. NEC, with an installed base of some 2m PCs and 52 per cent of all PC sales in the year to March 31, 1989. NEC's strength is based on its PC-9800 series of 16-bit computers, using the company's proprietary operating system, and its library which is the largest for software in Japan.

In an attempt to crack NEC's dominance, 10 companies have endorsed a common operating system for use in 32-bit personal computers.

The first spplications for the Japanese language version of the OS/2 system are expected to appear in the second quarter of next year. In an apparent reversal of Japanese companies' resistance to standards allowing domestic competitors access to their own established customer base, the new standard would permit buyers to use programmes in any of the group members computers.

NEC has yet to show its hand on a 32-bit strategy, but it is unlikely to join its rivals. Having sold over 2.4m 16-hit PCs, it has no interest in making it easy for users to migrate to competitors' products. The inertia of an existing base of equipment tends to retard the early growth of improved technology, in spite of promises of greater performance.

Japsnese flsir for computer herdware is out of balance with the pace of PC usage

If past experience proves correct, the delay will be longer in Japan's PC market. This will allow NEC to continue to squeeze profits from the PC-9800 series while at the same developing it own 32-bit strategy.

A few years ago, Seiko-Epson designed an operating system fully compatible with NEC's PC-9800 machines. After some initial legal shadow boxing, an agreement was struck and the first NEC-clones were born. Now the PC shops lining Akihabara, Tokyo's wholesale electronics mecca, have their clones which can run NEC's enormous library of software programs. At 25 to 30 per cent below NEC's prices, the Epson machines have found a good following. Epson's PC-286V, for example, runs faster and costs less than NEC's PC9801-VX21, one of the most popular in the series.

Another effort to hreak NEC's stranglehold has been less successful.

A group of computer makers, including Oki Electric, Matsushita Electric, Sanyo Electric, Sharp and others recalled that IBM's AT computer series had spawned an avalanche of clone machines. Maybe, they reasoned, the same could be done in Japan. The group formulated the AX or Architecture Extended Standard which would operate as both an English AT compatible, and a Japanese MS-DOS machine.

English PC applications such as spreadsheets for financial analysis were supposed to run as on a US designed clone. while a standardised Japanese environment would encourage developers to make packages for the new standard that could run on all AX standard machines.

Unfortunately, inter-group rivalry and hasty planning have reduced the effort to e curiosity that has generated very few sales. Initial AX machines were often partially incompatible with each other in Japanese mode while the versions of the English language MS-DOS operating system chosen by each company were not fully compatible.

In a effort to pile on more features than its competitors, each manufacturer used a different BIOS (basic input-outpnt system). AX-2, an improved version of the original AX, still misbehaves when running certain popular word processor and graphic programmes. Worse, few developers are writing new programmes aimed at the AX market.

Two promising areas of personal computer usage in Japan are not really new — desk-top publishing (DTP) and electronic filing systems. While the basic products have been around for a number of years, high hardware costs and poor software integration have kept the full systems from becoming popular.

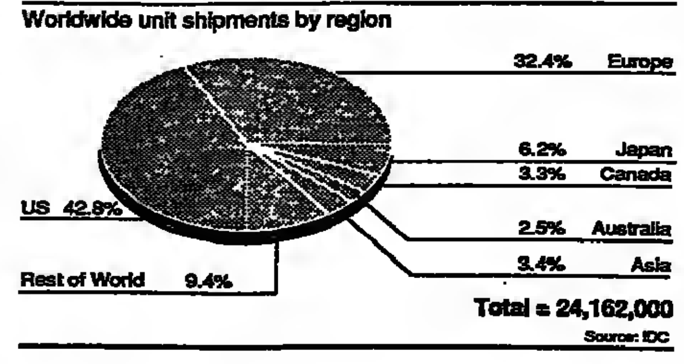
Potential desk-top publishing uses for in-house publications, camera-ready copy preparation hy advertising and art-production agencies would seem to be a potentially large and lncrative market. Yet last year, a mere 300 complete systems of Jspanese-language DTP systems were sold in Japan, according to the Japan Business Machine Manufacturers Association. As users of the leading English language DTP system, Ventura, have found out, the process of learning such systems can be a time consuming process. In Japanese, it is that much more difficult.

However, once the technology for low-cost, very high resolution electronic scanners becomes available, the DTP scene in both English and Japanese systems could really take off.

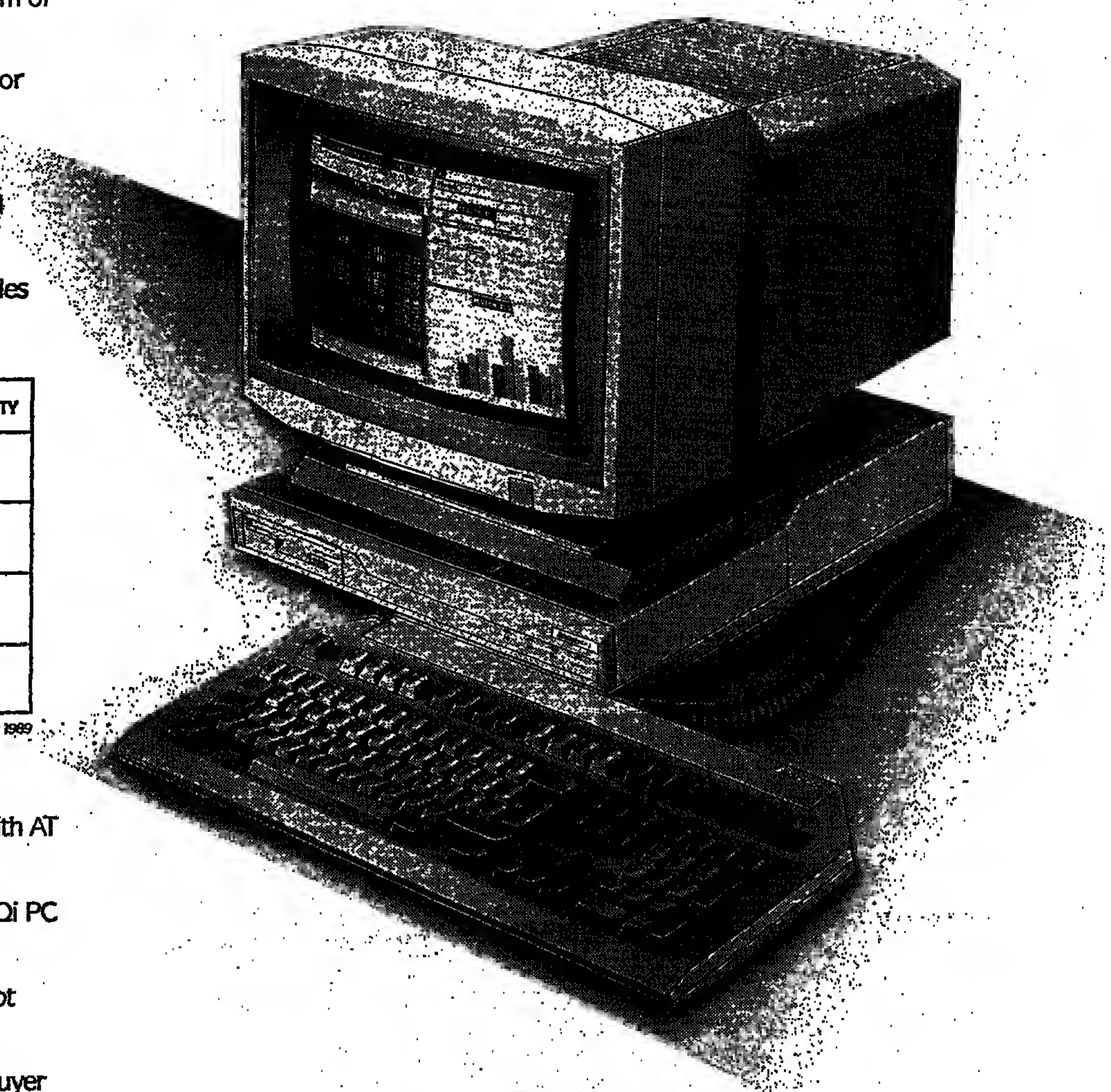
The scanner makes it possible to input text from books, newspapers, reports as well as graphic images to create a new document without the laborious process of keying it in by hand. But a high-resolution scanner from Sharp, one of the leaders in this field, could cost as much as $4,000 for the scanner, to which one must add software, a very powerful AT computer, word processing software, laser printers, and lots of expensive memory.

Electronic file systems, such as Toshiba's TosFile, generally combine read/write opto-magnetic disk memories with massive storage capacity, with scanners to input documents, and database software to find individual bits of information. But Japanese companies, even with their strength in opto-electronics in applied fields such as compact discs, optical

Continued on Page 15



APRICOT INTRODUCE THE



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COMPAQ DESKPRO 286E MODEL 20	£2240	286 12mHZ	AT	20Mb	NO
APRICOT Qi PC	£1995	386SX 16mHZ	MCA	47Mb	YES
IBM PS/2 MODEL 50-021	£2534	286 10mHZ	.MCA	20Mb	NO

*All prices exclude VAT and include system unit, keyboard, mono VGA display and MS-DOS. Source Context Research – August 1989

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THE NETWORKERS

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DESKTOP PUBLISHING is one of the computer industry's greatest success stories. The technology has moved from the computer equivalent of a John Bull printing outfit to professional, full-colour processing, in only five years.

Desktop publishing has created some of today's most successful computer software companies and hrought the benefits of low-cost, high-quality publishing to a wide market. Aldus, the company whose founder Mr Paul Brainerd is usually recognised as the originator of the term desktop publishing, doubled its revenues last year to $79m.

Adobe, the originator of Postscript, achieved similar growth, with revenues of $83m in 1988. Aldus was founded in 1984 and Adobe in 1982.

Desktop publishing was the saviour of Apple Computer's Macintosh. It was launched in 1984 as an executive workstation and was ideally suited to desktop publishing and quickly established as standard.

Since 1987 desktop publishing has spread from the Macintosh to IBM-compatible PCs and Unix-hased computers, bringing more powerful hardware and more advanced software to the market.

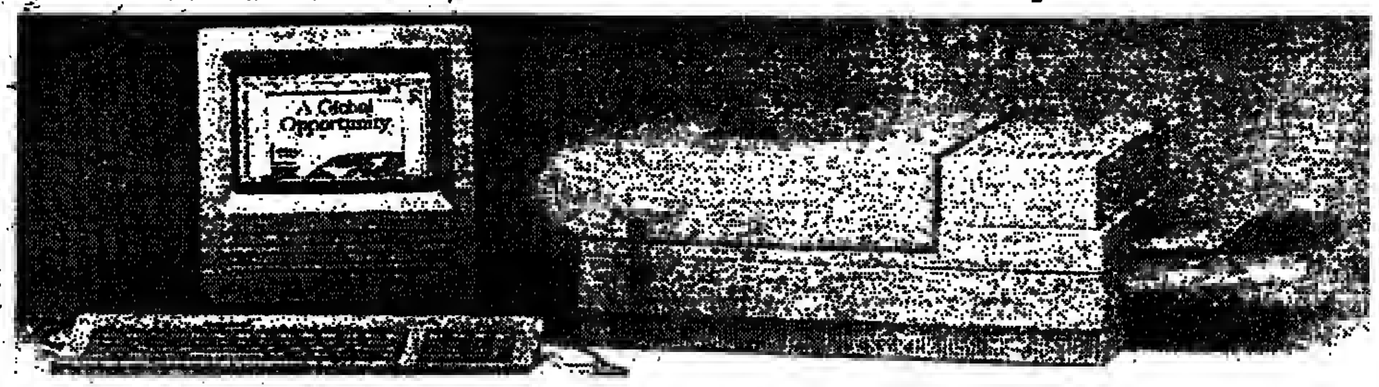
High levels of competition have caused suppliers to push the technology to professional standards of quality. These companies and others which have grown from the desktop publishing market, are poised to extend their influence and promise to cause further

Desktop publishing was the saviour of Apple Computer's Macintosh

upheaval in the troubled world of printing and publishing.

The competitive desktop publishing sector has expanded rapidly

The value of colour spreads



Macintosh SE with Laserwriter II (above): part of the push for professional standards of quality

The trend is reflected in the way suppliers have shifted marketing emphasis. Mr Richard Bradley, desktop publishing manager at Apple UK, says that he views the market differently from a year ago.

"Twelve months ago we were not able to see ourselves as contenders in the professional market. Our appeal was for smaller-scale puhlishing. Yon hought a Macintosh, a laser printer and Aldus Pagemaker and yon were in business. Desktop publishing did not encroach on professional markets.

"Now the technology is much more advanced. We have to segment our customers and build products which suit each sector.

Mr Bradley says that customers in the professional sector share a common priority: "They want full-colour image processing which pushes technology to its limit. But many of the answers are coming from the desktop publishing companies."

The need to bring the technology up to professional levels has led to alliances between professional printing-equipment suppliers, such as Scitex, Crosfield and Hell from West Germany and newcomers from the desktop publishing sector such as Adobe and Quark.

Mr Jerry Byma, Adohe's European and UK managing director, says that full-colour processing is a high priority for his company: "We are working on full-colour with Scitex and Linotype and we introduced colour extensions to Postscript earlier this year."

Adobe's Postscript language emerged as the dominant standard for translating computer-created pages into instructions for laser printers. It can also be used to send images to professional computer type-setting equipment such as that snpplied hy Linotronic.

Theoretically, this means a professional publication can be prepared on a relatively modest home computer and transferred to professional printing equipment via a magnetic disk. It also sheds a different light on the alliances between the established professional suppliers and the newcomers.

One of the main criticisms of early desktop pnblishing systems was their infinence on design. The systems hrought enormous power to people who were design illiterate and created a rash of ngly publications. But the desktop pnblishing companies quickly recognised this and the novelty of desktop publishing has given way to a more considered approach to design.

The estahlished companies want the new technology and the desktop publishing companies need the benefit of professional insight. The alliances are a natural symbiosis.

Mr Byma says that he is aware of the importance of image quality: "It is at the top of the list. Adobe has made the improvement of image quality in typography and reprographics its mission."

Users are equally aware of the problems of transferring the idiosyncrasies of colour reprographics to the new technology. Mr Ray Hammond, chairman of publishing technology company Last Word, learned the hard way. "We spent a lot of money trying to do desktop colour repro. It is far from easy and dealing with colour is a highly-skilled job. The early results were rubbish. Bnt we saw where we had gone wrong," he says.

Mr Hammond turned to Scitex and a software package called Visionary. It is the result of an alliance between Scitex and desktop publishing company Quark and is based on Quark's Express desktop publishing package.

"Visonary brings colour to the desktop so that designers can experiment and proof before they commit to chromalin." To justify the £5,000 cost he said some magazines have colour repro bills of £40,000 a time. "They can save the cost of the system on one issue and they can save time. A typical women's magazine colour spread takes three weeks to push through the colour process. This can be cut to a few days with new technology."

Among the pioneers is Face magazine, which is soon to move over to computerised production based on a network of Apple Macintoshs, and influential graphics designer Mr Neville Brody. Mr Hammond says that about 20 per cent of the magazines produced in the UK use computer-based page-composition systems. He expects this to rise to 70 per cent hy 1991.

"Most of the smaller companies have gone that route. The larger companies have been more cautious but they are moving in that direction. Publishers have to be computer literate," he says.

He helieves that the term desktop publishing is no longer appropriate: "We have gone

An early criticism of desktop publishing systems was their influence on design

well beyond all that. PCs have made it economical and the desktop element is taken for granted. What we are really talking about now is integrated publishing systems."

Mr Bradley of Apple sees the limitations of a name which belongs to an earlier age: "The technology which has developed in desktop publishing is spreading to all kinds of places. The volume market is in office publishing and forms design. But the same technology can be used for image manipulation and full multimedia presentations."

Transition will he painful. The printing and pnblishing industries have suffered one wave of technological change in the last 10 years. The next wave will reach further.

Philip Manchester

Image processing

Stemming the flow of paper

ONE OF the early dreams of the computer industry was to rid the world of paper.

It was argued that storage of important business information in computers would render hard copy redundant. Information could be examined on a display screen and large, unwieldy reports would become a distant memory.

Things did not work out this way and, if anything, computers have stimulated the production of even more paper, rather than to reduce it. The main problem is that many business documents are not suited for input into computer systems.

Incoming mail, legal documents, hand-filled forms, photographs, drawings and many other forms of documentation could not be accommodated in early computer systems. The

The crucial technologies which reduced costs have an odd pedigree

first image-processing systems overcame the input limitations of computers by using optical scanning technology. But these systems, such as Philips Megadoc, were based on minicomputers and were expensive.

Until recently, a system capable of storing such documents in image form would have cost £300,000 or more. But a combination of PCs, networks, optical storage technology and advanced software has created systems which sell at a fraction of previous system costs with £20,000 a reasonable starting cost.

Many of these systems can take advantage of existing PCs and networks if suitable, and reduce costs further.

"The growth in the PC-based, image-processing market has happened because there is more and more power available in personal computers," says Mr David Remmer, an independent consultant specialising in image and document processing systems.

"The Intel 80386 and 80486 chips and Inmos Transputers are being used extensively to power image-processing systems which have overtaken the earlier, mini-computer based systems," he says.

The fall in cost has opened image-processing to a wider market and market research suggests that the market is about to enter a strong growth period. Mrs Nada Zdravkovic, marketing manager with Integrated Documatics (IDL), cites a broad array of bullish market forecasts: "World market estimates vary from BIS Macintosh's prediction of a £1.7bn market by 1992 to Frost and Sullivan's estimate of £6.5bn by 1991. A survey by the Association for Information and Image Management forecasts a market of £3.8bn by 1993. But in spite of the variation, they are all agreed that it is a strong area."

The crucial technologies which have brought costs down and stimulated the market have an odd pedigree. The scanning technology, which allows documents to be translated into digital form, comes from the booming facsimile machine market. The technical standards used for data compression are derived from this area. The optical disk technology, used to store the images, comes from audio compact-disk developments by Philips, Sony and others.

Personal computer workstations and networks form the glue which brings the whole system together. In many cases, existing PC networks can be used to access image-storage systems, although Mr Remmer says that a high-resolution A4 display screen and a plug-in board to process images are also essential.

One application area where image-processing is likely to make an impact is in the administration of the new community charge. The London borough of Croydon and Chester-le-Street council have both gone to IDL to purchase systems to help them record their poll tax documentation and build computer-based archives.

According to Mrs Zdravkovic of IDL, these applications are the result of the user's forward planning.

"Despite prices falling, users have got to have the vision to exploit image-processing technology. Some still see the filing cabinet and the clerk as the answer and in some cases it might still be cheaper.

"Manufacturers have invested a great deal to both bring down the costs and to produce relevant applications. The community charge application is a good example," she says.

Mr Remmer confirms the high level of investment from manufacturers. "Most of the leading minicomputer suppliers are making a strategic push into the market. DEC, Hewlett Packard and IBM all have systems," he says.

But in spite of the proliferation of image-processing systems, there is little in the way of standardisation. With the exception of almost universal adoption of the Group 3 and 4 CCITT facsimile standards for data compression, every manufacturer has gone its own way. The result is there are many different file formats, physical storage media and indexing methods.

"The only area where there is a standard is in data compression. There is about 95 per cent support of Group 4 fax. And there are file formats, like the Tagged Image File Format (TIFF), which is borrowed from desktop publishing. But beyond that there is nothing," notes Mr Remmer.

IBM has a comprehensive set of proprietary standards under its Imageplus, minicomputer-based image-processing system. But many of these will have no relevance to non-IBM systems or to customers who have a mixture of networked computer systems.

Mrs Zdravkovic sees standards emerging, but agrees that it is still early days. She also sees other problems looming: "It will still be some time before we will be able to see a common set of standards. But the issues will get more complex as the technology spreads.

"Documents stored in a computer-based image processing

PC networks can often be used to access image-storage systems

systems are still not acceptable as legal evidence. There are problems of certifying the accuracy of the scanned data so that the legal position can be changed."

She points to the precedent that has been set with microfiche, where the operator of the scanner must sign a certification for the filmed document. Mr Remmer does not see the lack of standards as a barrier to market development, however.

"Unless you need a lot of interaction with other systems, standards are not really such a big issue and it will not stop people buying the technology."

With costs plummeting, image processing will become a feasible technology for a broad market. In October, Mitsubishi, the Japanese manufacturer, will launch a hand-held scanner, complete with image-processing and optical-character recognition (OCR) software, for about £500. This will bring the technology to home computer users. Whether this will reduce the paper mountain remains to be seen.

These issues will be debated at Image Processing 89 conference and exhibition at the Wembley Conference Centre, October 10-12

Philip Manchester

The growth in the applications software market, spurred by the increased use of networking, has not always been for the good

Improvements in local area networks will change market

Andrew Lewrence assesses the opportunities for distributing and sharing data across a network

THE MARKET for database software on personal computers has been growing but it has not changed much in character over the past five years.

Most PC users, both in US and in Europe, have shown little inclination to buy the latest in relational databases. They prefer to use packages which are familiar and easy to understand. This was borne out earlier this year by research from Romtec, the UK market research company.

Three packages, Ashton Tate's dBase III Plus and dBase IV, and Datamension's Dataease, accounted for nearly half the UK PC database market. These packages are powerful and useful to business users, but are primarily used for developing specific applications on single-user PCs.

They do not have the flexibility or the data management capabilities of the relational products which dominate the minicomputer and mainframe market. They have not been designed to share data with large numbers of other users or with other application software packages.

All the software suppliers and the market analysts are expecting the PC database market to change substantially over the next five years.

The development of multi-user and multi-tasking operating systems such as OS/2 and Unix, the improvement of local area networking facilities, and the acceptance of the SQL structured query language for interrogating relational databases has created possibilities.

Suppliers are racing to develop products for distributing and sharing data across a network.

"The vision for the future is that you press a key for information and the network finds it. You won't need to know where it comes from," said Mr Mike Breeze, office automation manager with Skytec, PC distributor.

Some suppliers, notably Oracle and Relational Technology of the US, have gone some way to solving the problems of implementing distributed relational databases across multiple computers of different types. But the little that has been achieved outside the laboratory has involved minicomputers and mainframes.

PCs have so far lacked the power and the operating system software for truly distributed database applications.

"To handle the knowledge of where data is held and to manage the integrity of the data, you need a minicomputer or mainframe," said Mr Mansel Jones, customer service director for Relational Technology, which sells the Ingres product.

The first step on the road to the distributed database involves what is called client-server computing or co-operative processing. The client is the end-user with a PC running several local applications such as spreadsheets and word processing. The server is a more powerful machine which works in the background, providing data to each of the end-users whenever it is called for.

Co-operative processing evolved from local area network file-server systems. There are several advantages: with a file-server, a user asks for some information and a whole disc file is delivered across a network for the user to search. Using a database server, the user can ask a specific query and only the relevant piece of information will be supplied. This means the network will not get clogged up with large volumes of information movement. The centrally held information will almost always be available for updating.

The rapid acceptance of the client-server model among the experts, if not yet among the users, has caused a flurry of activity among PC database software suppliers. Each network will need a back-end server equipped with a powerful relational database; these will be accessed by packages developed for the front-end PCs using SQL language.

SQL is important for PC databases of the future. SQL enables the data to be separated from the application program, both logically and physically. Using SQL, all applications on a network should be able to access all the data (providing the user is authorised).

The PC database market is expected to see much change over the next five years

So a user on one PC in the finance department should be able to access the same information from a Lotus 1-2-3 spreadsheet as another user in the personnel department using a program written using Ashton-Tate's dBase IV.

There is a problem: different versions of SQL are being used by different suppliers. The result is that one package which uses an IBM implementation of SQL may not be able to extract information from a back-end server using another version of SQL.

"SQL has been hyped up in the PC market as the answer to everyone's problems, but it will take some time. Although the different versions of not radically different, they are incompatible. There is a real need for more standardisation," said Mr John Spiers, product marketing manager for Oracle, a relational database supplier.

Mr Spiers said it was not just the SQL standards which would need to be developed and agreed upon. Suppliers needed to sort out how SQL messages were delivered across a network, and how SQL packages were linked to applications programs. Unless the problems were solved soon, users would have little choice but to choose packages developed by the leading suppliers.

Several candidates are emerging for the leadership in the supply of SQL database servers. IBM is certain to be among the forerunners with its new OS/2 Extended Edition operating system software, which will incorporate an SQL database server called Database Manager. However, it cannot answer queries from a number of users at the same time.

Other leading contenders are Ashton Tate, which has joined forces with Microsoft and Sybase, two leading PC software suppliers, to supply SQL Server, Oracle, Relational Technology, supplier of Ingres, and Gupta Technologies, with a product called SQLBase.

Dr Nigel Geary, managing director of Henley Business Software, which distributes the Gupta SQLBase product in the UK, claimed an early lead in this field. While SQL Server and OS/2 Database Manager were just starting to ship, SQL Base was developed for co-operative processing applications and now had 2,000 users.

A pilot system to underwrite insurance business over a network in the Lloyd's insurance market is using the product. None of these products will displace the leading PC database packages. Packages such as dBase IV are targetted as application development tools, rather than as database management systems. Users will continue to use these packages, which will then retrieve the data they need using SQL.

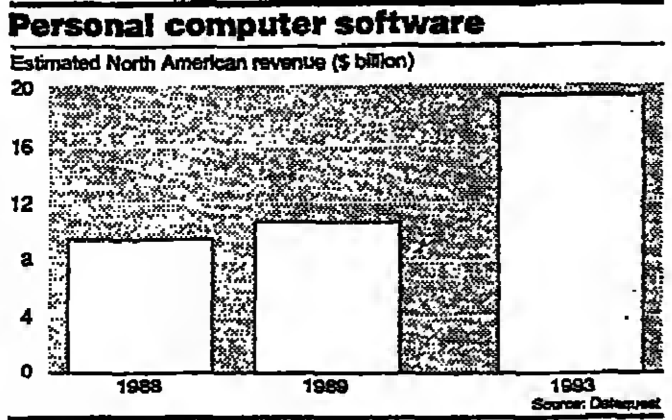
Not everyone thinks that SQL and distributed relational databases are the way forward. Mr John Hares, a leading UK database expert with consultants Ernst and Young, believed that separating information from the programs which processed it was "illogical and unnecessary."

He said that in the longer term PC users would get more benefits from "object orientated databases" which bundle all related information and relevant software together.

Even if he is right, the next decade of database systems is certain to be dominated by co-operative processing systems using SQL.

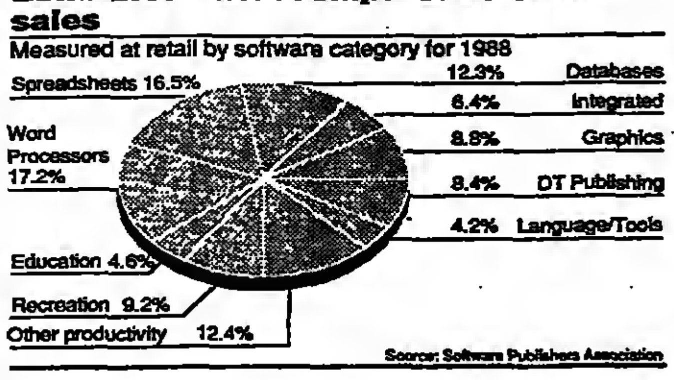
Personal computer software

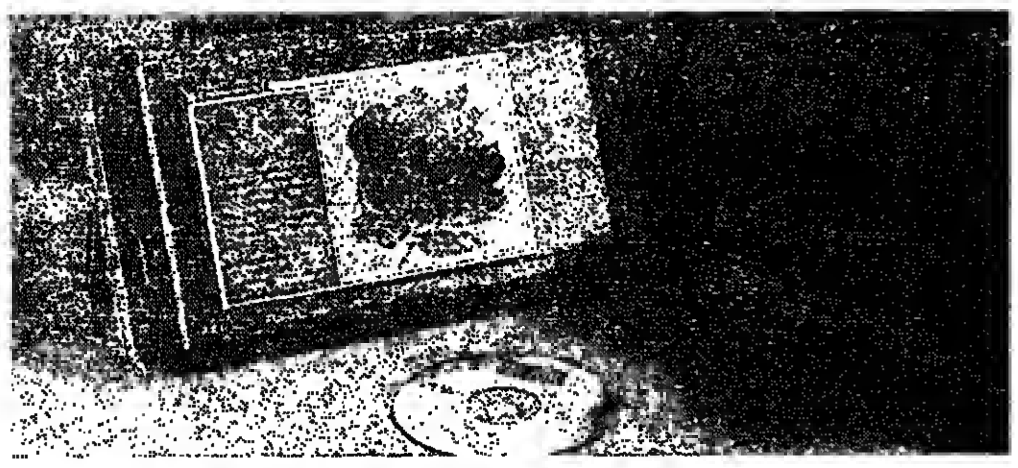
Estimated North American revenue ($ billion)



Estimated microcomputer software sales

Measured at retail by software category for 1988





A forerunner of the "electronic book", the DynaBook, manufactured by Scenario Inc of Boston, Massachusetts, uses touch screen technology and words and images stored on compact discs to give its user easy access to a wealth of information as well as conventional computing. The book, which costs £3,800, is distributed throughout Europe by Attica Cybernetics of Oxford. Among the uses to which the DynaBook can be put is the archiving of large volumes of reference material — for example, the cataloguing of mechanical parts.

Uneasy times for the vendors

ASHTON-TATE (A-T) is just one of the leading personal computer software companies which, in the past 12 months, have had their wings clipped by a combination of technical problems and higher than expected costs.

A-T, along with Lotus and MicroSoft, was slow in getting its latest product, a PC-based database called dBase IV, into the market. Users needed its capabilities, dealers needed it to keep sales going and A-T could have done with the sales income. Technical problems held the product launch back.

Financial results for the full year to January 31 were in line with previous years with 15 per cent turnover growth and 11 per cent pre-tax profits growth. The first half of the current financial year, however, has not been as rosy.

A-T reported a loss of $19.8m in the second quarter on turnover of $50.5m, down from $71.9m in the same period of 1988. A-T has said that it would not return to profits until the fourth quarter.

Because other PC software vendors stumbled at or about the same time, A-T's problems became part of an overall pattern. The reasons are a general economic downturn in the US and heavy costs in transporting products from their home in the MS-DOS world to other operating systems.

Outside the US, sales continued to grow near their old pace. A-T has been able to increase its market share in the UK during those months when the general PC software market is more active at the end of the financial year.

Context, the UK-based market research company, puts A-T's share of the UK PC software market at 7.5 per cent for the year to end May 1989 in terms of value. This was in a market worth just over £280m.

Mr Paul Sloane, A-T's UK managing director, said these figures were in line with A-T's UK results. Context's figures came from surveys of over 1,000 UK PC software sellers and covered in-direct sales, and did not include sales direct to customers.

This lead in the UK market is being challenged by Sapphire, vendor of the DataEase database, which said that other figures from Context and Romtec, a UK-based market research company, gave it top place in the relational database PC market in this country.

A-T's main business comes from the four versions of PC-based databases it sells. Databases account for 70 per cent of world sales; the Multimate word processing package for 15 per cent, the Framework integrated package for 9 per cent. The top seller for A-T in the UK PC database market is dBase III Plus with 25 per cent of sales by units in the 12 months to end May 1989, said Context.

A-T's main competitors in the database market are Sapphire, Symantec with its Q&A database, Compsoft with Delta 5, Fox System's Foxbase and Borland's Paradox and Reflex ranges.

When all of A-T's dBase versions are added together, they account for 52 per cent of the UK PC database market by value of sales, according to Context. This is over double second placed Sapphire's 24.7 per cent and well up from the 30 per cent share in the previous year.

Sapphire's share also rose, but more slowly, while Compsoft's and Borland's dropped, said Context. A-T's main aim has been to get the products right and then to create interest among customers.

With an average retail price about £500 there is little margin to do any more than that. Instead of trying to sell directly, apart from in a handful of cases, A-T has begun the process of reorganising its sales effort, splitting it into a three-layered operation.

The new top tier of premier business centres will sell to the corporate users of PC databases probably buying dBase in the hundreds to go on every PC they supply internally.

A middle tier of business centres will go after the sales of smaller businesses and individuals. Then the remaining dealers will make up the lowest third tier.

A-T is being forced to reorganise its sales along these lines by the increasing complexity of software — the same factor which delayed the launch of dBase IV.

Users are demanding greater power, easier interfaces, adherence to industry and international standards while expecting compatibility with existing products.

Leading PC software vendors who want to survive must keep their products compatible if they are not to let their competitors get back on an even footing. The prospect of complex conversion to the next release would force many existing customers into the hands of the competition.

Ashton-Tate has seen its fortunes falter. Richard Sharpe's profile examines the setback and highlights some software trends

The top tier of premier business centres will be used as the pipeline for more complex products of the future. These products will have to exist in networks of PCs running different databases all adhering to structured query language (SQL), the industry standard for database access used on larger computers.

Many software vendors have found that the sale of the £500 stand-alone software product is far simpler than the sale of networked software products co-existing with other products over local and wide area networks.

There will be a continuing role for the stand-alone product, but a decreasingly important one.

"The products are becoming more complex, unit prices are effectively dropping and the demand for support is rising. This is a conundrum which the software industry has yet to solve successfully," says Mr Sloane.

Database applications were part of the second wave of applications which turned the hobby PC into the business tool of the 1980s. The first wave was word processing and spreadsheets.

The importance of word processing as the main PC application is likely to decline, according to research company IDC. It reports that, from a survey in West Germany, word processing applications, which were 27 per cent of PC software applications in 1988, will relinquish the lead to database applications by 1993.

Then word processing will be 17 per cent of PC software applications while database will be 28 per cent up from 20 per cent in 1989. It is on continued demand like this that A-T will base future plans.

It will be facing a new set of competitors who will exploit its temporary weaknesses. These competitors have larger databases originally written for minicomputers and small business computers which they are transferring onto PCs running the Unix operating system or IBM's OS/2.

In A-T's favour, there are few instances in the software market of this tactic working. But many of the rules which seemed to govern the software industry have been broken in the past five years.

Stiffer competition in its home market of databases could prove to be a problem for A-T. The company is concentrated heavily on database, with its other packages well back in sales and importance, whatever the level of investment in them.

Other software vendors who have been concentrated in the past have often been unable to sustain their growth, falling victim to the broadly-based PC vendor. A recent example was Computer Associate's takeover of Cullinet, the mainframe database vendor.

A-T is not without support. It has been dominant in the database sector for so long than many smaller software vendors have had to provide links to its products to extract data for their products.

This tends to give the established vendor an advantage. It builds momentum which can lead, for Lotus and A-T, to the market in products being big enough to allow both of them to feature in separate exhibitions and conferences.

Thirty companies have signed up to exhibit at the dBase show in London on October 2/4. The organisers expect 3,500 to attend and sample the wares. Interest like this will sustain A-T through several lean months.

Drawing on memory capacity

When Autodesk launched the Autocad in 1983 it started a graphics software revolution, reports Clive Cookson

THE SPECTACULAR advances in the processing power and memory capacity of personal computers during the 1980s have brought PC users almost all of the graphics applications that were once restricted to machines costing hundreds of thousands of pounds.

Even computer aided design (CAD) — five years ago the province of the professional engineer working at a mainframe terminal or scientific workstation — has a myriad of PC-based products. Of course they do not offer the richness of mainframe CAD, let alone supercomputers, but they have the same basic facilities.

The pioneer of PC CAD software, and the market leader, is Autodesk of Sausalito, California. Its flagship product Autocad, originally launched for the IBM PC in 1983, has been supplemented by other graphics software.

Autodesk's latest offering, Animator, will be shown for the first time in the UK at the Personal Computer Show, Earls Court. Animator shows how far the company has come from its CAD roots. It is an "animation and paint" program for IBM-compatible PCs, designed to combine colour images, text and photographs to create animations that can be used for desktop PC presentations or recorded directly onto videotape.

The established suppliers of mainframe CAD software have brought out PC versions. One of the most successful is Cadam, a subsidiary of the giant Lockheed aerospace group based in Burbank, California. Its Micro Cadam was released for the IBM PC in 1985 and an enhanced product, Micro Cadam Plus, reached the UK last month.

Like many of the new CAD products, Micro Cadam Plus requires a PC with an Intel 80386 processor and at least four megabytes of memory.

Prime, once known as a minicomputer manufacturer, has become an important player in PC CAD by buying two separate CAD companies, Versacad and Computervision. The latter operates near the top of the PC CAD market, with its Personal Designer software. Versacad is less expensive and competes directly with Autocad.

Intergraph, arguably the market leader in non-PC graphics systems, has moved down to PCs with its Microstation software. Intergraph is a leading force in the rapidly growing field of computer mapping and geographic information systems (GIS).

Sophisticated GIS software will run on 80386-based PCs. One example of the new GIS products for PCs is Terrasoft, developed by Digital Resource Systems of Canada and marketed by SysScan of Norway.

Terrasoft, which runs on DEC station 300 series PCs, costs £2,500 in the UK for the basic computerised mapping version; if the user wants a version that can also analyse cartographic information, the price is £7,500.

Another recent development in PC-based mapping is the opening this month of an Apple Mapping Centre at Birkbeck College, London (which has established an international reputation as a centre for GIS research). It has a network of different models of Apple Macintosh, running commercial software and applications developed at Birkbeck.

Moving from CAD and GIS to business graphics, the choice of PC software becomes greater. Freelance Plus from Lotus (best known for its 1-2-3 spreadsheet) is a good example of a general purpose graphics package which can provide quick charts and presentations to elaborate drawings.

One fast-growing sector of the business software market, which combines graphics and analysis, is the executive information system (EIS). This is a way of presenting non-technical senior managers with the information. An EIS is wrapped in a colourful pictorial framework and enables information to be called up from the corporate database.

Functions are presented on the screen by simple pictures (known as icons) and the information is presented in multi-coloured tables and charts. Since senior managers are notoriously unwilling to spend time on keyboard training or reading computer manuals, anyone can use an EIS without any experience. Some users who are not afraid of a keyboard may be irritated by the slightly Micky-Mouse-style presentation of the EIS.

According to Gartner Group, the US software industry analysts, the EIS market is growing by 35 per cent a year and sales are projected to reach $125m in 1992. Comshare, the worldwide market leader, says more than 500 corporate EIS installations are in place. Other important EIS suppliers are Pilot and Metapraxis.

Dealers are braced for bankruptcies, reports **Joia Shillingford**

Lean pickings for those who cannot add value

THESE ARE critical times for personal computer dealers. Margins on hardware are falling and being eroded further by heavy discounting. Customers are getting more sophisticated and demanding higher standards of technical support.

The PC market is expected to grow at 23 per cent in 1988-89 according to Romtec, computer market research company. However, with more powerful machines being introduced it is easy for dealers to get stuck with stock.

To survive, dealers need tight financial controls, particularly on inventory management, and they need to give more emphasis to software (where the margins are higher) and to position themselves as value added resellers by offering consultancy and specialised services.

Interest rates are hitting many dealers hard — some are holding less stock and giving less credit

Mr Gerry Redman, managing director, of Corporate Computers the UK's sixth largest computer dealer, said tight financial controls were important because PC dealing was a cash-intensive business. Corporate Computers, with an annualised turnover of £55m, had goods worth £4m in stock at any given time, he said.

Interest rates are hitting many dealers hard. Some are holding less stock and giving less credit. Their customers, similarly affected by interest rates, are leasing equipment or deferring expenditure. Many in the industry expect to see a number of bankruptcies in the next six months.

Mr Redman said the most exposed dealers were those with turnovers of £10-£36m. Dealers in this bracket do not benefit from the economies of scale of the largest dealers such as Computacentre, P&P, Businessland, and SCC. The management structure that suited the company when its turnover was less than £10m may no longer be adequate. "A few dealers of this size might go to the wall or be swallowed up by larger dealers such as ourselves," he said.

In August, Corporate Computers, which is owned by Systems Reliability Holdings, acquired a PC dealer called Osiris. Mr Redman said Osiris was a classic case of a company that had doubled in size year on year but did not have adequate financial controls.

Other examples earlier this year were Personal Computers, which was acquired by P&P and 01 Computers which was acquired by Vistec.

Corporate Computers was formed from a combination of two PC dealers; Fletcher Dennys, which lacked the tight financial controls of the other, Essex & City.

The PC dealer business is split into two distinct halves, Mr Redman said. The top 50 dealers were responsible for over 80 per cent of unit sales of computer systems. The remainder of the business went to 1,000 or so smaller dealers.

Dealers needed to decide whether they were in the corporate account business — typically companies or government organisations with information technology departments and between 100 and 1,000 PCs — or whether to sell to smaller companies. Those in the corporate markat needed substantial investment behind them. If a dealer was part of a large company, said Mr Redman, his cashflow could take the strain of £1-2m order more easily.

Many in the industry expect to see a number of bankruptcies in the next six months

PC dealers who want to see profits increase at a time of diminishing margins, would be wise to build up the software side of their businesses. Box-shifting is a large part of most dealers' revenues. But it needs to be balanced by other sources of revenue.

Too much dependence on box-shifting can leave a company very exposed if one of their main suppliers is late with a product. As soon as a PC supplier announces a new model, it is hard to interest customers in the previous one and sales may slump. In addition, the supply of popular new models sometimes dries np, leaving the dealer with orders he cannot satisfy.

Mr Steve Lewis, marketing manager of Corporate PC (owned by Quartet) said he had "not known one dealer yet that has had a constant supply all the time. Some dealers have gone bankrupt because of this."

The top 50 dealers are responsible for more than 80 per cent of unit sales of computer systems

There are several other reasons why PC dealers are getting more interested in software. First, after a long lull, software is starting to catch up with advances in hardware. Leading software houses such as Lotus, Ashton Tate and Microsoft are putting a lot of investment into updating their software. New versions of their flagship products will increase demand from users.

Second, software may well become the dominant force in the market. "Hardware companies don't dictate the shape of the market any more; they just dictate the processing power. Corporate PC is working more closely with software houses," said Mr Lewis. He felt that ultimately the application a customer wanted to run would determine the type of machine chosen.

Third, unlike the market for PCs, the market for software was "nowhere near saturation point," Mr Lewis pointed out. As PC software got more simple, more users were finding new applications.

Soma PC dealers have changed their organisational structure to reflect their increased commitment to software. Ms Elaine Sharp, dealer account manager at WordStar, said a lot of the larger dealers, such as Computacentre, were splitting hardware and software into separate divisions.

Dealers who are serious about software must be prepared to provide adequate technical support; software tends to be more support intensive than hardware.

One dealer which sells only software is MSL. Mr Stephen Lloyd, director, said it was quite common for companies tc buy their hardware from a traditional PC dealer and their software from a software dealer, because thsy want more specialised software support services.

MSL provides customisation, such as producing spreadsheet macros, advises on new packages, writes software and sources esoteric products. The company supplies software to a third of merchant banks and many other city and corporates clients.

Margins on consultancy and bespoke software, written by the dealers own staff are much higher than on off-the-shelf software. Consequently, many PC dealers are keen to increase their share of this market and to add value wherever they can.

The larger dealers are usually best placed to exploit consultancy opportunities because they can afford to employ technical staff with a variety of skills.

"The good large dealers in the UK will continna to grow faster than the industry average; mostly through organic growth but also through acquisition, said Mr Marek Vaygelt of Romtec.

One sign of the maturity of the PC market is the growth of mail order. Several clone manufacturers, such as Dell, bypass the dealer altogether. Some dealers, attracted by the growth of mail order catalogues are producing their own catalogues.

According to Mr Lewis, who is producing a catalogue for Corporate PC, adding value remained important. His catalogue, which comes out at the end of this month, will offer consultancy and advice.

CASE STUDY: James Capel

Dealing comes automatically

IN A highly individualistic profession, such as stockbroking, it is not unusual to find a rather anarchic use of personal computers.

There was scattered, use of computers at stockbrokers' James Capel when Mr Andy Borland, PC systems manager, joined the company two years ago. His approach was to build on what was there hy increasing standardisation, linking PCs and automating processes central to the business.

Mr Borland moved to James Capel from its parent company, the Hong Kong and Shanghai Bank. The main examples of standardisation he found in the PC area were the predominance of IBM personal computers or clones and the use of a single word processing package, Microsoft Word.

The team has developed a program for equity analysts which pulls data off datastream

Word was chosen because of the company's need to produce high quality research documents, ready for printing. It uses range of fonts and documents can be structured with footnotes and headers.

A company-wide style-sheet has been defined using Word and ensures that tables and figures are presented in a consistent way. Since Mr Borland's arrival, the level of standardisation in the PC area has increased. Previously, a variety of different spreadsheets was in use. But now James Capel staff use either Lotus 1-2-3 or Symphony and most new purchases are for Lotus 1-2-3.

Standardisation has not been encouraged for its own sake. Mr Borland's seven-strong team (which develops PC programs as well as providing support) has set np pre-defined macros for loading spreadsheets into Word. If more products had been in use, the work would have taken longer.

Mr Borland's team has also developed a program for equity analysts which pulls data off datastream, turns it into a file format compatible with Word and then loads it into a Word document.

Previously, Datastream graphs were glued in to word processed documents before being sent to the printer. The time saved is particularly important for the company's 10-40 page daily notes, which have to be written and printed in an afternoon.

Most James Capel staff work in teams and Mr Borland is gradually introducing local area networks. These enable workers to pool their resources more effectively. For example, within the European research team, different analysts concentrate on different countries.

A network is useful when they are working together on documents which require contributions from everyone, such as a report on pan-European developments within a particular industry.

Mr Borland's team has automated some of the processes central to the company's business. One such process is dealing. Although the company has teams involved in different types of dealing, Mr Borland sees dealing as a generic activity.

His team has developed a core software program for dealers, known as the bargain entry system. This was originally written for the European warrants team but can easily be adapted for use by other dealers. The system can be customised because it consists of two parts.

Most James Capel staff work in teams and Borland is gradually introducing local area networks

One part forms the engine. It contains a database of information and performs calculations. The other part is the user interface, which is easy to alter. Several steps were involved in developing the dealing program.

First, Mr Borland discussed the dealer's requirements with them and developed an outline. Second, his team developed a prototype. This was designed to be flexible enough to incorporate any alterations the dealers might ask for after using it "in anger."

The bargain entry system is designed to run on networks though it can be used on a single PC. Instead of hand-writing deal tickets, dealers key the information into the bargain entry system. This has three large benefits.

First, the error rate has dropped dramatically. Previously, the deal tickets, not always clearly written, were typed up by someone other than the originator, so there was scope for error.

Second, dealers can use the system as a historical database. They can use it to examine trading patterns and ask questions such as: "How much business has been done by a particular customer? Is he changing markets? Is he buying more or less shares?" These questions can be answered more quickly.

Third, the system can confirm a deal automatically. When the details of a deal are entered into a system, it can generate a confirmatory note to the counter party (the person with whom the deal has been struck).

The bargain entry system took nine months to develop from concept to working prototype and has been in use in European warrants for about six months. It is written in a mixture of clipper (whicb is similar to Dbase, but faster) and C programming languages.

Dealers like the system and only a few minor changes and additions are likely to be made. The system will soon be in use in the convertible bonds dealing area. Mr Borland feels the prototyping approach works much better than signed specifications that are set in stone.

"In a prototyping environment, you have to develop things in such a way that they are easy to modify," he says.

He believes that the prototyping approach makes the user community feel more involved. Mr Borland refers to end-users as customers and says he has "a list of customers (from different dealing groups) who have enquired about the bargain entry system."

A client database system for dealers has also been developed using the prototyping approach. This system automates the dealer's filofax/address book.

It is a simple system designed to overcome a simple problem: dealer A is away from his desk and dealer B answers his phone, talks to dealer A's client and can't find his colleague's filofax. The client database contains details such as the client's name, other contact names within the company, phone numbers and the client's preferred mode of communication for confirming deals.

Other details can be included such as whether a client settles promptly. The system is designed to be "pecked at with one finger" says Mr Borland, becanse dealers usually have a phone in one hand.

A network is useful when working on documents which require contributions from everyone

"The system had to mirror existing working practices or it would not have been used," he says. Only a few keys have to be pressed for the relevant details to be displayed.

The client database system was written in Clipper and took only a few man months. The system is effective and has been installed in James Capel's Frankfurt and Paris offices at their request.

Borland, who used to work at Logica, the information technology consultancy, says the idea of concentrating on core applications and then developing prototypes for them, comes from manufacturing.

"It is a pity that the software industry didn't adopt the common manufacturing practice of limiting the number of building blocks sooner, he says. Too many companies, he feels, have developed more programs than they can support. Whereas "Black and Decker only use two types of electric motor in their entire product range."

Joia Shillingford

The author is news editor of FINTECH — electronic office

Boris Sedacca on value added resellers and the market place

More than just a box shifter

VERY FEW computer manufacturers can afford not to make use of value added resellers (VARs) unless, that is, the company follows IBM's example and employs large direct sales force.

Over the last decade, IBM has been putting more emphasis on increased third party sales. Since its launch in 1981, the IBM personal computer has been sold primarily through dealers, even to corporate end users. IBM has been anxious to ensure that dealers add value to its products rather than just shift boxes from its warehouse to end users.

Dealers willing to cut profit margins in return for a quick sale are geoerally frowned upon. "Dealers are having to add a lot more value to products nowadays," observes Mr James Minotto, managing director of Tandon UK, an IBM-compatihle PC manufacturer.

Putting the hardware together provides just one value added element

"Systems integrators are becoming more common, particularly in the US. They go out and buy the bare bones of everything and put systems togetber themselves," he says.

Putting the hardware together providea just one value edded element. Other opportunities coma from installation, networking, software, training, and mainteoance. A relatively new value added element gaining currency in the US is repurchase and upgrade of equipment at a predetermined price.

"Computerland and Businessland, for example, are no longer just retailers," continues Mr Minotto. "They are systems houses. Customers go in for corporate solutions. Yon can still walk in off the street, but I would argue that the small percentage of people who do this are in single digits.

"As a manufacturer, it is essential that I have the people in house to answer questions, not only from dealers but from key corporate accounts as well. We have to work with dealers in their efforts to get a sale, to keep it and to support it."

There is still space for box sbifters in tbe hnsiness because some companies already have in-house support and expertise. A leading corporation with a data processing department may well want 50 machines in two months but nothing else.

On the other hand, a large business which is decentralising may decide to do away with a monolithic data processlog department and to put responsibility for automation in the hands of departments, divisions or subsidiaries.

The Olivetti Group has reorganised its worldwide corporate structure into four companies. Product marketing has been split into two separate companies, with Olivetti Office selling commodity prodocts through intermediaries that do oot add value, and Olivetti Systems and Networks selling complete systems through those that do.

Previonsly, Olivetti had aligned its marketing around three channels; VARs, PC dealers and office products. Tha value added resellers tended to operate at the top end of Olivetti's product line — high value sales of relatively expensive minicompnter systems with a high software content and lots of end user support.

PC dealers were a mixed bag of small, medium and large volume resellers offering anything between high added valne to none at all. Office prodocts resellers, such as Dixons and Currys, sold high volume of relatively low individual value products.

"This segregation reflected the computer market of the eighties," explains Mr Paul Mahoney, general manager of the systems division at Olivetti Systems and Networks UK.

"For the nineties, we see some PC dealers, those who sell high volumes at low prices with quick delivery and with no added value at all or as little as they can get away with, being consolidated within high street office products vendors.

"The PC dealers who sell total solutions with a typical software content value of 35 to 40 per cent are treated as VARs," says Mr Mahoney.

In the eighties, there were PCs and there were minicomputers. This distinction no longer applies as each announcement from Intel, Motorola and other chip manufacturers takes another layer away from the bottom end of what was traditionally the minicomputer market place.

The trend towards networked PC workstations within client/server-type computer architectures means that the minicomputer's role is no longer limited to slicing up its own computer time among a number of users.

Unix and networking are the common denominators which will identify the modern-day VAR. PC network suppliers are essentially software developers rather than hardware suppliers.

The role of generic Unix minicomputers, supplied by a number of competing manufacturers, is to run this software and to act as server of data and communications facilities to clients operating their own PC workstations. The larger the network gets, the more critical it becomes to a company's success, so reliable server hardware is essential.

The amount of money companies are prepared to spend on fault tolerant minicomputer-based architectures rises with increasing numbers of workstations.

"We add the complicated, and generally expensive, bits to the PC dealer's sale," says Mr Pieter Knook, managing director of Torus Information Networks.

"The customer is free to shop around for the best discount on PCs, but shopping around for a discount on a network is likely to end in disaster. We have a system installed in Belgium which is linked to a Stratus minicompnter.

Other opportunities can be found in installation and networking

"We often supply a total package and aubcontract the PCs to e dealer, but the larger companies are already in a position of being able to deal with a number of competing PC suppliers."

The typical PC dealer is best able to service smaller companies or departments within companies, supplying local area networks of 20 to 30 PC workstations, says Mr Knook.

Larger companies which may require wide area networks need the expertise of a VAR rather than a traditional hardware-only PC dealer.

DIRECT SELLING

Mail order with protection

BUYING BY post or over the phone is often seen as risky in spite of mail order protection schemes. When the purchase has a large price tag or is a complex item requiring support from the supplier it often appears a foolhardy way to buy. Nevertheless, many professional personal computers are sold directly to end users in this manner by a growing number of vendors in the UK and US.

When purchasing a PC, the customer has expectations that the machine will immediately enable him to carry out tasks in a more effective manner. This cannot be done without the applications software, such as word processing, databases or spreadsheets, which must be installed correctly.

The supplier, however, frequently sells the empty computer which, while it can be shown to work, is without that software and is incapable of carrying out the required tasks.

If that software is not correctly installed, or the machine is not set up correctly, the system will not meet the user's needs although the machine will be working correctly.

This illustrates the gulf that can exist between buyer and seller — even with the best will in the world. The level of sophistication and complexity of relatively simple PCs is such that users can meet up with problems. This is the underlying reason for going to the friendly local dealer who will be able to hold your hand while learning to drive the system.

Tulip Computers, which only sells via dealers who it supports with technical and sales training, points out that 80 per cent of all computers are sold to existing computer users and only 20 per cent to new users.

The company stresses that dealers are essential for new users. They can advise the user before, during and after the implementation of a computer system and can ensure that it is designed for the task in hand.

Unfortunately, not all dealers are trained. On the other hand, what assistance can you expect to get if you go to a cut-price box shifter? It is a matter of degree. There is a gamble in going to cheap suppliers, they may work with margins too slim to allow them to provide support and may be forced out of business through underfunding. Direct marketing, however, can provide an efficient system for both vendor and customer.

Dell Computer, subsidiary of the Texas-based company of the same name, and other companies like it, sells mail order at below high street prices. Machines are assembled and configured to order and delivered to the customer on a 30 day trial.

Mr Martin Slagter managing director of Dell UK points out that this 30 day money-back guarantee is the user's most satisfactory safety net. The company provides support via freephone help lines.

The sophistication of relatively simple PCs means users can have problems

The experienced staff manning these lines can assist the user to clear the majority of problems. Many of the problems are not faults but are due to errors and misunderstandings on the part of the user. The support staff will have met the majority of problems and can resolve them rapidly. But this is just one of the advantages of a large scale operation.

The machines are also covered by on-site warranties so that, should the problem not be resolved over the phone, a service man is sent the following day.

It is the computer literate user who is Dell's potential customer. They are well able to select the appropriate software and install and configure it to meet the tasks in hand.

Mr Slagter points out that these people have been Dell's core market. He adds that, interestingly, even four years ago it was doubtful whether the UK market was mature enough to respond to Dell's direct marketing approach.

While the direct marketing style continues to attract the experienced and semi-experienced computer users, value added resellers are being added to the sales profile. They provide the ideal route for the inexperienced users who will probably need help in selecting suitable software and operating the machine and also provide Dell with a path into the higher power Unix market.

While Dell aims for the higher performance sectors of the market another equally long established US company operating in the UK, CompuAdd, aims to cover the whole range of MS-DOS machines.

It offers a starter kit consisting of an IBM PC/HT-compatible computer with printer and integrated software for less than £1,000. Many users will be attracted by the CompuAdd catalogue which lists a range of machines, add-ons, software and accessories and so offers one-stop shopping.

How does direct selling work?

By selling direct to the end user, a company improves its margins by cutting out the middleman. As machines are assembled to customer order there is reduced inventory, work in progress, and the virtual elimination of dead stock — the build up of machines that do not sell.

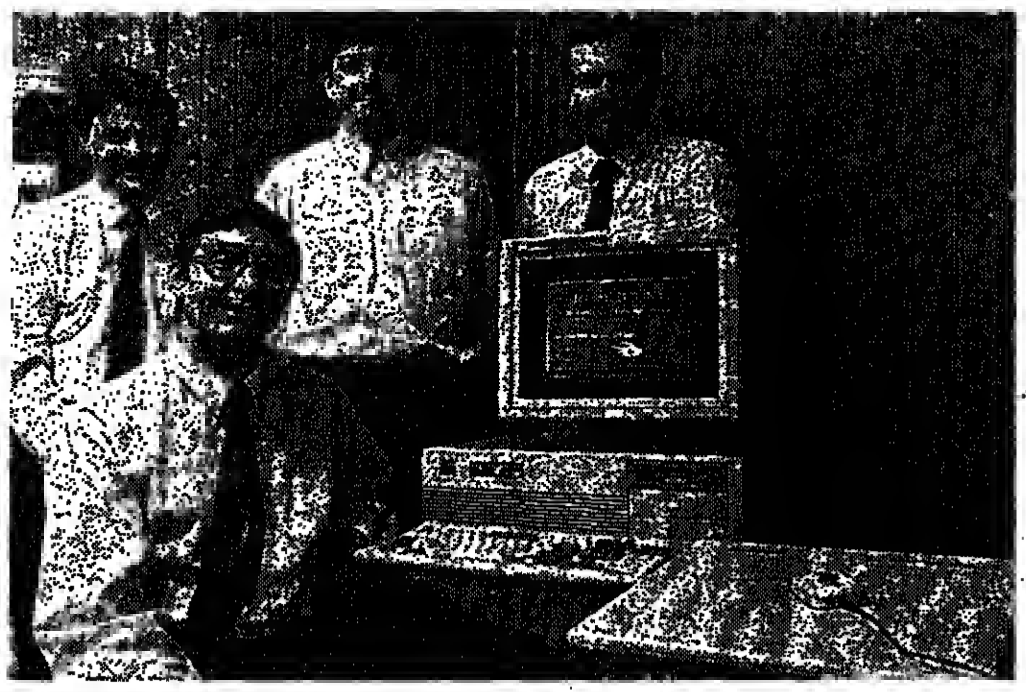
In the case of both Dell and CompuAdd, they maintain direct control over the manufacture of the machines. Not only does this provide direct quality control but also it ensures that there will be no unknown variations which could effect machine hardware/software compatibility.

This is a potential time bomb for any user. The majority of software packages are updated at intervals to remain competitive and to generate revenue for the software house. However, as the software gets more complex there is always the risk that the updated version will uncover some previously unknown incompatibility. Should this occur, one needs all the help that one can get.

Consequently, one could argue that support being focused within one department in a direct sales company will provide better liaison with the software manufacturer than can be provided except by the very largest of dealers. And while serious problems may not occur often, when they do they are frequently time consuming and costly to resolve.

However, as more companies sell directly, and the market becomes more competitive there is a risk that margins will suffer and with them the high quality of support. After all, it was this support that contributed to the success of the early players such as Dell.

Adrian Morant



A CHELTENHAM-based repro house, founded by three directors who first met on e Linotype-Paul scanning training course, has marked its fifth anniversary with e $350,000 investment in e Scitex electronic page composition (EPC) system.

Spa Graphics has installed e Scitex Assembler workstation, for assembling colour images end pages; a Softproof pre-scan/post-scan viewer, which enables the interactive enhancement of images to be done before and after scanning; and one of the the UK's first Tutor PC-based off-line EPC learning systems, which allows continuous on-site training for Scitex operators without interfering with production workflow.

Pictured here with the system is Spa Graphic's trio of directors: left to right, Andy McCulloch, Alex Wallace and Ian Smith, with Mike Dolen of Scitex.

A computer copyright lawsuit is the main talking point in the US market, reports **Louise Kehoe**

Graphics trend paints vision of the future

IS A trash can the same thing as a waste basket? Are the lines surrounding a rectangular portion of a computer screen a creative expression of an idea, or do they simply make a box?

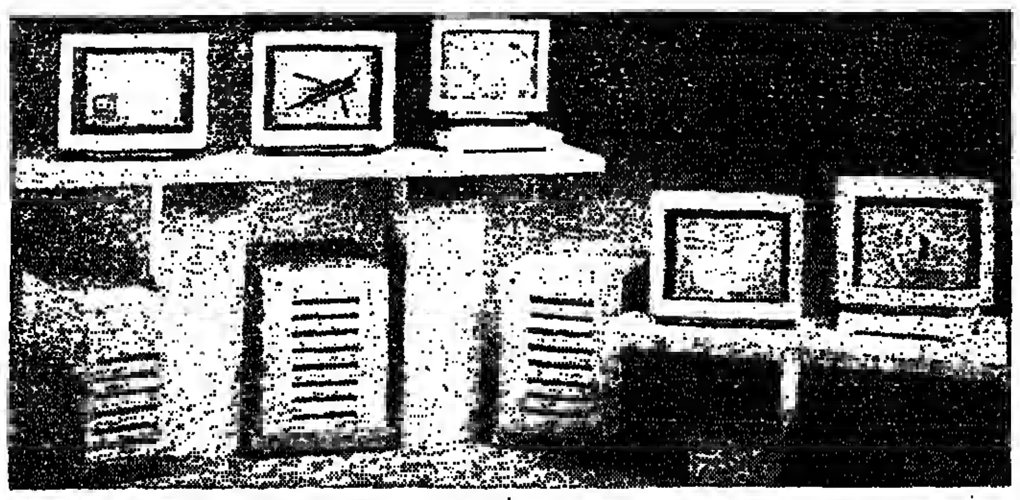
Such questions may seem trivial, but the answers to them are at the centre of a legal battle that may have a long-term impact upon the computer industry.

In a landmark copyright infringement lawsuit filed 18 mooths ago in San Francisco, Apple Computer has charged Hewlett-Packard, a leading computer manufacturer, and Microsoft, the world's largest personal computer software developer, with copying screen displays from its Macintosh PC graphical user interface.

The legal dispute threatens to throttle an important computer industry wide trend toward the use of graphics to make computers significantly easier to use.

Graphical user interface programs, such as that of the Apple Macintosh, create symbols on the computer screen representing functioos, documents, applications programs and places to store information. Users instruct the computer to perform a task by simply pointing an arrow at the chosen symbol.

The dispute threatens an important computer trend toward the use of graphics



Sun has set new standards in the computer industry for high-performance systems

This approach, which Apple popularised with its Macintosh PC, represents a radical departure from other PC interfaces which offer the user little clue as to what the computer can do or how to make it work.

The standard DOS operating system used on most IBM-compatible PCs, for example, displays only a chevron prompt sign to tell the user when it is ready to perform a task. The user must then type in a coded command or the truncated name of an application program.

Apple's competitors in the PC market have long recognised that the graphical user interface is superior. Attempts to emulate the Macintosh have, however, resulted in one of the most closely watched legal battles in the history of the computer industry.

Apple claims that Microsoft and HP have infringed upon its visual display copyrights. Microsoft and HP have denied the charges and HP has filed a countersuit asking the court to invalidate Apple's copyrights on the grounds that they do not represent original works.

At issua in the case are two programs – Microsoft's Windows which divides the computer screen into overlapping segments in a way similar to that used by Apple, and Hewlett-Packard's NewWave operating environment, a program that creates a visual desktop on the computer screen. In concept it is similar to Apple's Macintosh interface.

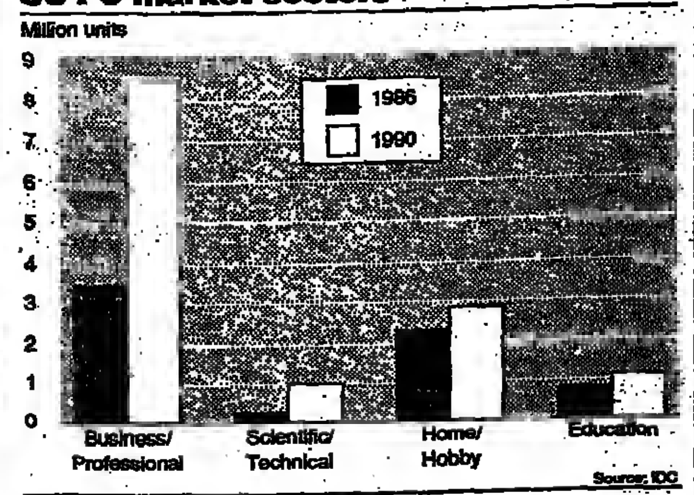
Apple claims that Microsoft and HP's attempts to create an alternative graphical user interface have prodnced images that too closely resemble those of the Macintosh and charges that the companies are infringing upon its intellectual property rights.

For its part, HP argued that Apple's real concern "is not that some features of NewWave resemble those of the Macintosh, hut that NewWave delivers what Apple itself has descrlhed as its vision of the future," a more advanced form of graphical user interface that represents a competitive challenge to the Macintosh.

A standardised graphical user interface must eventually win out

The significance of this legal battle goes well heyond the interests of the three companies directly involved and may eventually establish whether any computer or software company can lay claim to the look and feel of a computer.

US PC market sectors



The dispute has had a cooling effect upon other software developers making them reluctant to introduce programs that create or use other graphical user interfaces for fear of hecoming emhroiled in the case.

The suits have also placed a cloud over Microsoft's new Presentation Manager, which is designed to create a graphical user interface for IBM-compatible PCs and which many see as a potential industry-wide graphical user interface standard.

The compelling advantages of a standardised graphical user interface must eventually win out, experts believe. What makes these programs so appealing to the user is that they dramatically reduce tha time that it takes to learn how to use a PC.

This is particularly important to new compnter users, and would help to boost flagging hardware sales growth, analysts predict.

Corporate PC purchasers would also welcome a standard graphical interface. Training costs are broadly recognised as one of the most expensive aspects of office automation and standardised user interfaces could make a significant contribution toward lowering these costs.

Graphical user interfaces are not aimed only at computer neophytes. Indeed it is among established PC users that the need for some form of standardised user interface is most keenly felt.

The purchase of a new PC applications program forces a user to spend hours, sometimes days, learning the unique commands and features of tha new program. User reluctance to learn new programs is seen as a large contributing factor to the slowdown in US software sales growth over the past year.

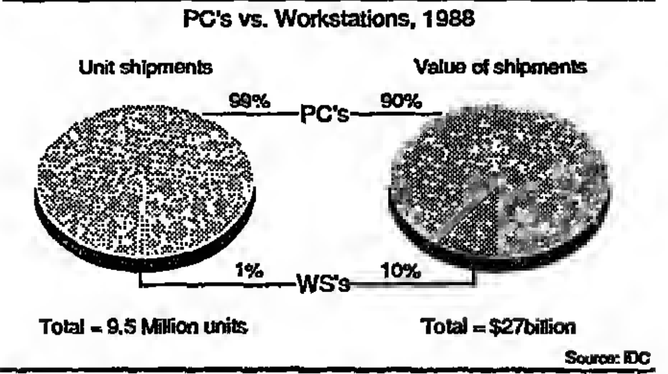
Apple claims that Microsoft and HP have infringed its visual display copyrights

A standardised interface that allows users to interact with different types of eompnters and programs in a consistent manner without being forced to learn new techniques or commands would eliminate much of the drudgery and may boost sales, industry executives predict.

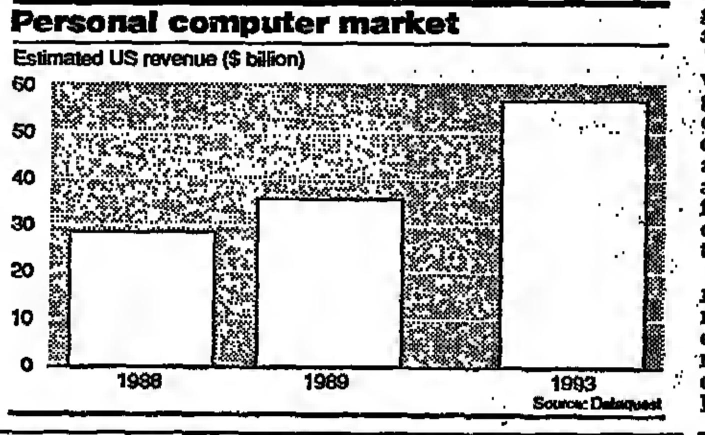
Tandy corporation is touting its Deskmate interface as a system that enables users to quickly assimilate new applications, while IBM has this month begun shipments of the first release of its OfficeVision/2, a graphical interface that includes basic desk-organiser functions for computers operating in a Local Area Network environment.

Meanwhile Hewlett-Packard has begun shipments of its NewWave in spite of the Apple suit.

US single-user market



Personal computer market



Spreadsheets in the US

Lotus position challenged

PERSONAL COMPUTER spreadsheets, the programs that enable corporate planners to play "What if?" with their financial data, have played a critical role in the microcomputer revolution. The spreadsheet has made the PC an essential business tool for many who had never touched a keyboard.

The US market for spreadsheet programs, which represents the lion's share of the world market, is dominated by Lotus Development with its Lotus 1-2-3 program. According to industry estimates, Lotus has 75 per cent of the $473m US spreadsheet market.

But Lotus may not be invincible. Competitors are challenging Lotus' spreadsheet monopoly with increasing success. Microsoft, for example, has won a 12 per cent share of the spreadsheet market with its Excel program for the Apple Macintosh. Borland International has won an 8 per cent stake in the market with its Quattro spreadsheet.

Borland recently unveiled a new version of Quattro, called Quattro Pro, to "change the balance of power" in the spreadsheet market. Borland claims that its new program, available in the US later this year, combines advanced graphics and the ability to consolidate multiple pages of spreadsheets, providing features that the latest versions of Lotus 1-2-3 lack.

Taking an aggressive marketing approach, Borland aims to unseat Lotus by stressing the confusion caused by the market leader's introduction of two new versions of 1-2-3.

Earlier this year Lotus launched a long awaited and much delayed new version of 1-2-3, called release 3. While the program won critical acclaim for its powerful number crunching facilities, it lacks the high quality graphics capabilities that many users want in order to prodnce printed copies of graphs derived from their spreadsheets for reports and presentations. Release 3 requires a minimum of one megabit of internal memory, forcing many potential users to upgrade their systems.

Lotus then made a slimmed down version of 1-2-3 called Release 2.2 with advanced graphics but fewer other features.

Borland claims that it has overcome the problem of squeezing a highly complex program into the standard 640K memory space of most PCs by developing a proprietary Virtual Real-time Object Oriented Memory Manager. This uses technology that automatically switches segments of the program, called objects, into and out of the main memory conserving the maximum possible memory space for data.

Borland hopes to raise its spreadsheet stake to 10 per cent with the release of Quattro Pro and to build a 20 per cent share within a year.

An important feature of Quattro Pro that Borland hopes will attract former Lotus loyalists is the program's ability to read Lotus 1-2-3 files and its use of matching command sequences. Lotus users will not need to learn new techniques to use Quattro Pro, Borland claims.

Borland will focus its market attack upon Lotus but its new program may be more directly compared by potential users to Microsoft's Excel. This is highly rated for its use of the graphical interface and ease of use features of the Apple Macintosh. Borland and Microsoft will be pitted in a market battle for second place in the spreadsheet market.

The success of Borland's push into the spreadsheet market may be determined by market demand. It is not known how many spreadsheet users want to move to a new generation of programs.

The real challenge in the spreadsheet program market may be to maintain growth in one of the most mature sectors of the PC software market. According to the US-based Software Publishers Association, growth of spreadsheet sales slowed to 28.5 per cent in 1988 compared to growth of 47.2 per cent in word processor program sales and a record 102.6 per cent growth in desktop publishing programs.

Louis Kehoe

Adrian Morant looks at new generation printers

End of the daisy wheel

IT IS generally recognised that the paperless office does not exist.

Each year the amount of data associated with each PC rapidly increases with the effect that the quantity of output grows. This is fueled by increased speed and versatility of printers while, at the same time, quality of output has improved almost beyond recognition.

The workhorse in the office is the laser printer. It has taken over from the daisy wheel because of its vastly increased speed and low noise. In fact, the majority of laser printers – irrespective of their sophistication – are used as daisy wheel replacements.

The engines for some 85 per cent of laser printers around the world – including that of the widely-used, Hewlett Packard Laserjet, are manufactured by Canon.

In the UK, it is reckoned that there is an installed base of about 250,000 lasers. While it is difficult to ascertain actual market share, and the exact order varies from survey to survey, HP is typically top with 29 per cent, with the next few places scattered between Apple, Canon, Kyocera and Brother.

Lasers are inherently expensive because of the complexity of the engine plus the cost of the microprocessor and memory needed to store an entire page of information and carry out the necessary computations prior to printing.

Liquid crystal shutter printers, such as the Qume Crystal printers, use a simpler and potentially lower cost engine and so could provide growing competition to laser printers and have the advantage of a smaller footprint – important in view of the high cost of office space.

The laser printer market is extremely competitive with users being faced with a bewildering choice. For example, the Qume ScripTen printer supports both the Postscript page description language widely used for DTP applications and H-P Laserjet emulation as well as incorporating a total of 35 fonts in 11 families. It meets the majority of needs.

On the other hand, Kyocera offers a range of four different printers each of which incorporate 79 fonts. Both of these manufacturers claim to provide machines capable of heavier work cycles than the most popular machines.

A different approach is adopted by Canon with its LBP8 Mk III in that it offers just the one machine but with different plug-ins to meets differing user needs and budgets.

Dot matrix and inkjet printers are cheaper alternatives to the laser. Canon, however, has abandoned the former because it feels that the technology is obsolete due to its noise and quality of print and has just announced an ink jet printer.

Rather than using the standard inkjet process which involves compressing the ink and squirting it out of the head onto the paper, its new BJ-130 Bubble Jet printer heats the ink in the printing head to create a tiny bubble of ink which is ejected onto the paper. This is very quiet in operation and is claimed to result in near laser quality.

Most laser printers, irrespective of their sophistication, are used as daisy wheel replacements

On the other hand Epson continues to produce a vast range of dot matrix printers to meet virtually any need ranging from the budget-limited home user through to the business which needs to generate vast quantities of high quality multi-part forms.

Second generation laser printers such as the Canon LBP8 Mk III and the Epson GQ5000 internally create a wide range of built-in scaleable fonts to give near typeset quality output together with advanced graphic capabilities. They are lower in cost than the more sophisticated Postscript printers and allow users to produce more attractive results without recourse to special desk top publishing (DTP) or other software. The machines can be enhanced by downloadable or cartridge fonts.

Technically, even these printers are approaching their limits. Canon reckons that the market is likely to divide: towards higher resolution printers, and faster machines on the one hand; and on the other, cheaper and more compact machines.

The majority of the users of first generation laser printers, which will be with us for some years to come, can often enhance the quality of the printed output with special plug-in printer-specific font cartridges or ancillary downloadable fonts. While the former are easier and faster to use and do not occupy large amounts of disc space, they would have to be replaced when a different printer is purchased.

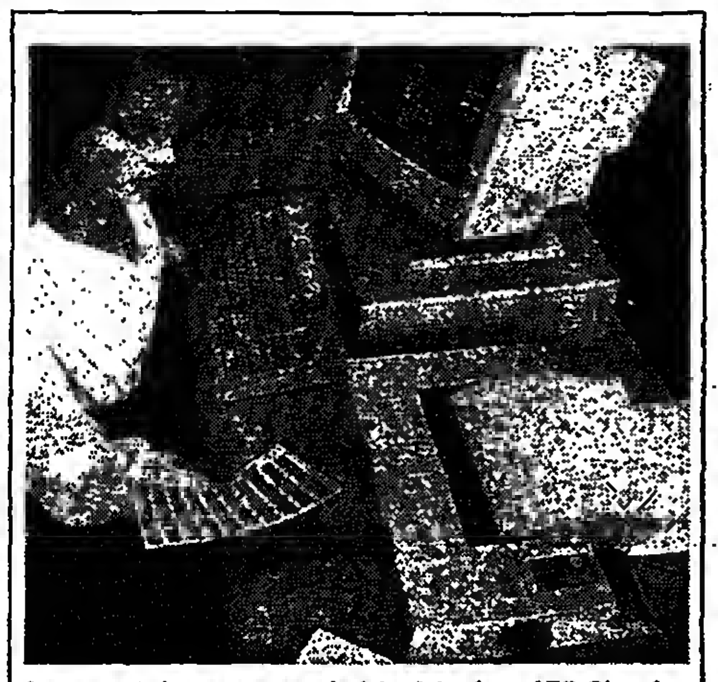
Hewlett-Packard Laserjet II or compatible printers – the majority of laser printers available – support Bitstream Fontware. This is a range of 200 typefaces which are purchased on disc and can be scaled to an almost infinite range of sizes within the computer and downloaded to the printer as and when needed.

Installation kits for Bitstream fonts are available for the latest versions of MicroSoft Word and WordPerfect, two of the most advanced and versatile of the current generation of word processors.

Even without these fonts, these packages allow users a very high degree of control over the final printed page. The combination of printer, word processor package and fonts enables the average user to obtain much improved quality of presentation without recourse to specialised DTP packages which are considered time consuming to the extent of being addictive.

While additional Bitstream fonts are quite expensive, the Typographica range of downloadable fonts aims to provide a low cost entry path. It operates with the Wordstar 5 word processing package, as well as a number of the well-known DTP programs.

Another advantage is that it can be used with nine and 24 pin dot matrix and ink jet printers in addition to lasers. It provides the smaller user with the opportunity to enhance the appearance of his catalogue, price list or proposal. After all, that documentation may be the first introduction by a prospective customer to your company.



Laser rival: Colourstar, first inkjet printer from AEG Olympia

DATA STORAGE

Advent of the hard disc

WITH DATA stored in the average office doubling every three years, it is hardly surprising that there are demands for improved data storage on personal computers.

However, the larger-capacity fixed (i.e. non-removable) disc drives built into a PC are rarely upgraded – and then mainly by those who had purchased "budget" floppy discs machines which were without any form of "hard" disc.

With experience, users tend to run more applications (programs) on a PC. Each of these is larger and more complex, and has an more data associated with it than a few years ago. This calls for larger capacity mass-storage devices. Consequently, it is normal to select larger capacity devices whenever new machines are installed.

The commonly-used removable 5¼ inch floppy discs have a capacity of 360k-bytes (360,000 bytes). That is, 360,000 characters or roughly 60,000 words of information. These are giving way to 720k, 1.2 and 1.44-megabyte floppies (720,000, 1,200,000 and 1,440,000). Similarly, the industry standard 20-megabyte hard disc is being supplanted by ones of 80,100-megabyte or even greater capacity.

Over the past 10 years, hard-disc technology has matured, with some improvements coming from evolution and others from revolution. For example, the magnetic coating in low-capacity drives is essentially the same iron oxide technology as that used on cassette tapes (although of a better quality).

On the other hand, the larger high-performance drives employ metal-coated platters, where the required thin uniform magnetic coating is applied by "sputtering" – a dry plasma deposition process carried out in a vacuum chamber.

At the same time, drives are more reliable, have greater capacity, take a shorter time to find data, and then have higher data transfer rates.

Mr Bob Gower-Smith, regional sales manager Northern Europe, of Seagate Technology, which claims to have over 40 per cent of the world-wide PC hard-disc drive market, points out that, "In historical perspective, an 80-megabyte disc-drive 10 years ago was the size of a washing machine. Today we can store that same amount of data on a 3½-inch disc, at one-tenth of the cost. But, more important, the reliability is 10 times greater.

"However, while experience is a good master, this is not easily achieved. Disc-drives are delicate and precision mechanisms, with the read/write heads floating at 12 millionths of an inch above the surface of the disc, which is turning at 3,600 revolutions per minute."

They are assembled in "clean rooms", because the slightest degree of contamination could cause the unit to fail, with the resultant loss of valuable data.

Decisions relating to disc-drives are complex. For example, while the most important parameter of a hard drive is its capacity, other factors such as the time taken to locate information, are also significant. The higher-speed devices improve the overall performance of a PC but are, obviously, more expensive. In addition, there is quality – an intangible which translates into reliability.

No manufacturer can guarantee 100 per cent reliability, so the user should regularly "back-up" (copy) his data, to insure against disc failure. Originally, this was normally done on to floppy discs. With the increasing capacity of hard discs, the daily backing up on to floppies becomes unacceptably time-consuming. For this reason, more users are employing tape-streamers which, having a capacity of 40 megabytes or more, are far more convenient to use with the result that rigorous back-up procedures are more likely to be followed.

The majority of streamers need a controller installed in the machine. However, the 60-megabyte Datasaver, just announced by Formscan, plugs directly into the machine's parallel printer port. This means that a single-tape back-up unit can be shared between all the IBM-compatible PCs in the office without the added expense of multiple controller cards or cumbersome adapter kits.

With the trend to even larger hard-disc capacity, users are looking to higher capacity back-up devices. Some work has been done in adapting the video cassette recorder for data storage but, more recently, interest has turned to using Digital Audio Tape (DAT) cartridges.

Originally developed by Sony for high-quality domestic audio, the system uses a helical scan technique, which allows vast quantities of data to be stored on cassette appreciably smaller than the normal C60 music cassettes. As it is early days with the technology there are, at present, two conflicting standards for DAT computer storage products. The leading names in one group are Sony and Hewlett Packard, and in the other Hitachi, Olivetti and Philips.

One product already on the market, which conforms to the latter standard, is the Gigatape 1230. It can be readily installed in a PC and will store 1 gigabyte (1,000 megabytes) of data on a single removable tape. This capacity is more than adequate to back-up even the largest of hard discs. Furthermore, the manufacturers claim that any piece of data can be located on tape within about 20 seconds, thus providing both security and convenience.

In addition, optical Worm (write-once-read-many) drives are ideal for archiving data which is not subject to change. These drives, such as the Magstore LF5010, which has a capacity of 940 megabytes per disc, use optical discs made from clear polycarbonate. The underside has a special coating, which can be altered by heat from a laser in the drive. Dependent on the material, storage lives of from 10 to more 30 years are claimed. Thus, any area where additional data is added to, rather than changed, are ideal applications.

While the user can easily recognise the need for larger amounts of data storage, the cost of back-up devices to protect that data is often considered too expensive. But, in the information age, data is vital. In the extreme, that data may be the company's most important asset – and without it, it may not be able to continue trading.

Adrian Morant

CASE STUDY: Dell Computer

The value of good service

WOULD you buy an IBM-clone from a 24-year-old with chubby cheeks and designer spectacles called Michael Dell?

The answer is a resounding "yes." After five years in the personal computer business Mr Dell's company, Dell Computer, had a turnover of $257.8m with net income of $14.4m in its last financial year.

Half-year net profits to July 28 are 49 per cent down to $3.1m compared with the same period last year. Dell says these are as expected and blames high cost of components and price cuts on an old model. Revenues are growing – up 78 per cent to $183.2m at the interim stage.

Large organisations, such as BP, Peat Marwick McLintock, the UK government and Dow Chemicals are among those that use Dell's range of MS-DOS PCs and Unix multi-user computers.

Mr Tim Turner of the Personal Computer Consultancy, says: "The Dell machines are more powerful, more cost-effective and, unlike many cheap clones, there are few limits on expandability."

Dell makes PCs that run industry-standard software. This puts it among the clone makers, such as Compaq, Olivetti and Acer. Dell's difference is its method of selling direct to the customer.

This helps Dell keep costs below IBM's. But its machines are not the cheapest. Some Taiwanese-made clones will cost less but they won't offer the quality of build or the back-up.

A recent Computer Weekly Datapro survey of customer satisfaction put Dell top.

"Back-up is important. A lot of computer dealers are incompetent and the main attraction of Dell is that the customer can deal direct with the manufacturer," says software writer Mr Friedman Wagner-Dobler.

Included in the price of a Dell is unlimited telephone support on weekdays and an on-site maintenance contract for 12 months. The machines are guaranteed for a year.

Supporting the customer is critical in the PC business and Dell has used its unrivalled service as a successful marketing tool, both to assure customers and to gather information for the design of products. But this service is expensive and the true test of Dell will come as it tries to maintain growth, keep its prices low and continue to supply the same level of customer support.

Dell's short but well-documented history has all the elements for a colourful story to brighten a rather dull pile-them-high-sell-them-fast industry.

Leading character is the resourceful, energetic Michael Dell. He is a super salesman who began selling before he started shaving. At 12 years old he was marketing stamps from his parent's home in Houston, Texas. He sold subscriptions to the local newspaper for one day a week, outperforming full-time sales people.

A few years later he sold computers to his school colleagues and then to local businesses.

In 1984 he started his company, then called PC's Limited. Sales reached nearly $34m the following year, doubled in 1987 and reached $159m in 1988. The company was floated on the New York stock exchange as Dell Computer, with Mr Dell as chairman and chief executive.

Dell's success is based on making high-quality PCs

Dell's difference is its method of selling direct to the customer

which are well reviewed by the computer press.

Mr Dell established a clear, dependable identity which helped in buying decisions among customers in search of a good deal.

Mr Dell took on experienced managers, such as Mr Lee Walker, Dell's president and chief operating officer and Mr Glenn Henry, formerly with IBM, to head research and development.

Mr Henry stopped Dell from launching a new machine that contains IBM's lastest PC design, called Micro Channel Architecture (MCA). This is part of IBM's PS/2computer. IBM is trying to establish MCA as the new PC standard, as opposed to machines running MS-DOS on which Dell's business is based.

Mr Henry says there is no demand for MCA computers because the DOS operating system is good enough for most customers. People who need more power, he says, go for the Unix operating system.

This attitude troubles consultants such as Mr Turner. He feels MCA will become a standard, especially in Europe. If Dell continues to shun MCA, Mr Turner says he will have to advise his clients to change to another manufacturer.

Mr Henry Slagter, Dell UK's managing director, says Dell was the first clone-maker to show an MCA machine as a working model.

"We see MCA as a superior architecture and as soon as there is sufficient demand for the machine we have a product ready, he says."

Peter Knight

CASE STUDY: adding value

The price of a right solution

ONE OF the most attractive aspects of being a VAR is the ability to enjoy ongoing business over a period of years with customers.

When PCs appeared on the market, Redland's data processing management put together a report counselling the company to investigate what impact this could have on the business. A six month project was set up to see if there was any need or use for PCs within the group.

"About six years ago, we bought a six PCs to see what was available and what was required," says Mr Peter Lockwood, formerly computer operations manager and now PC manager at Redland Information Systems.

"What started off six years ago as a six month evaluation project resulted in a separate department with four staff," says Mr Lockwood.

There are over 600 PCs in the Redland group. Most are connected into 16 divisional minicomputers using IBM 8100s. These are being replaced by the newer AS400 mini, 15 of which are connected to an IBM 4381 mainframe.

Prior to the launch of the IBM personal computer, Redland began an association with Digitus, a London-based PC dealer and VAR, to supply early CP/M machines.

Digitus supplied hardware, software and initial training, but Redland's requirement for training got so large that it set up its own training organisation within the company.

Redland is investigating the use of PCs at the workface. According to Mr Lockwood, there is a great deal of information and data which can be captured at the workface and input directly into PCs for analysis under packages such as Lotus 1-2-3.

The company aims to have PCs sitting next to machine operators, capturing information from instrumentation and bypassing the need to re-key data. Most modern instruments are sold with a basic RS232 interface and this can be used to pass information to PCs for process monitoring.

Digitus has installed over 300 LANs for customers, including systems from Torus, Novell, 3Com, and IBM's token ring. The main business activity of Digitus is the application of microcomputer technology based solutions to meet end user requirements.

Digitus, formed in 1978, conducts consultancy and project work as well as supplying systems. It pays its sales team no commission, preferring to encourage recommendation in the interest of the client.

Every Digitus client is assigned an account manager. The structure of the company brings people with specific areas of expertise and experience into logical groups, supported by teams of product specialists. It specialises in applications for the financial community, petrochemical industry, manufacturing, warehousing, distribution and retailing.

"In our first five years we started as a stand-alone microcomputer system supplier," says Mr Alan Wood, managing director. "During the last five years we started moving into networks of PCs connected together into departmental systems. For the next five years, I see Digitus using its bridging skills to move into the large, cross-departmental corporate mainframe market."

Boris Sedacca

Japan off the pace

Continued from Page 5

discs, and lasers, have not been able to reduce the price of complete systems to the level that small and middle-size business, let alone the average user, could justify.

While there are no ultimate word processors in the Japanese market that handle both Japanese and English text while offering full features in both, there is certainly no shortage of models – over 90 with new ones coming out every couple of months.

The Japanese dedicated word processor, known as wapro, developed by Japanese office equipment makers as a way of extending their typewriter sales has carved out a niche in the domestic market. Companies such as Ricoh and Sharp sell these machines which are designed to do nothing but create and print documents in kanji. While lacking the speed and the ability to run any other application software, their small size and price have made the wapro a ubiquitous machine in both home and office.

Last year, wapro sales rose by 12 per cent, and the trend is expected to continue. A typical wapro comes equipped with a built-in printer and sports a quarter-page liquid-crystal display. Prices range from $250 (Y35,000) to about $1,000 (Y158,000) for a full-page version.

Japanese software makers

Diffusion rates for PCs in the Japanese school system are still low – one PC per 40 high school students

have yet to follow the path of their hardware manufacturing brothers. They have barely exported any software and have not launched a big export drive. Certainly Super Mario Brothers from Nintendo is a great game and has sold in the millions both in Japan and overseas. But while PC pundits in the West speculate about what the next killer app will be, talk in Japan is about when and if Japan will ever have a hit software program.

Mr Kay Nishi, the president of the Japanese software and publishing house, ASCII, says that he does not foresee the real internationalisation of Japanese business software for another five to 10 years. With the exception of game software, Mr Nishi believes that the cultural restraints of each country are so great that it takes a long while to grasp the inner workings of a society that must be understood to write excellent software.

Mr Hidechika Kobayashi, chairman of the Japan Personal Computer Software Association, attributes the lack of

Off stage is the TRON operating system, spearheaded by a Tokyo university professor

more good business software for personal computers in the domestic market to the financially weak condition of independent software companies in Japan. Another factor that Mr Kobayashi sees as undermining efforts by programmers to develop innovative software is the very short life cycle of Japanese software products.

Long-lived software products such as the Japanese personal word processor, Ichitaro, are very much the exception. Without such sustained hit programs, it is difficult for the software companies to build up resources to expand development projects that net innovative software ideas.

Meanwhile, US companies such as Microsoft and Lotus, have achieved considerable success in Japan. IBM Japan has a line of Japanese language PC-DOS personal computers aimed at office use. Last year, IBM ranked third in domestic PC shipments with 6 per cent of the market after NEC, with 59 per cent and Fujitsu with 11 per cent. But Microsoft has sold variations of MS-DOS – both English and Japanese versions – to almost all Japanese makers. More recently it announced that it will head a consortium of Japanese makers in developing a Japanese version of the OS/2 operating system.

Lotus took some time to convert its world renowned spread-sheet program so that Japanese could have menus in their language while at the same time retaining an interface similar to the US package. However, the company now gets more than half of its income from Japanese sales.

Clive Cookson and Philip Manchester look at the unclear future of operating systems software

Buyers face difficult choice

THE FUTURE of operating systems software is an important issue as the personal computer industry moves into its second decade. Microsoft's MS/DOS, the existing standard, has run out of steam and two candidates have emerged as possible replacements.

Microsoft and IBM are backing their OS/2 system and most hardware mannfacturer's are backing various versions of AT&T'a Unix operating system. Large software companies such as Microsoft and Oracle can afford to hack all three systems.

Smaller software developers and computer users who are searching for stability, face a difficult choice. Do they move to Unix or to OS/2, do they use both or do they keep using MS/DOS and wait to see what happens?

A survey of 621 users, conducted by UK software company Sapphire International at the end of 1988, shows that most users have decided to wait and see. Only 7.4 per cent had installed OS/2 and only 11 per cent planned to install it in 1989.

Ahout 8 per cent had installed Unix and a further 5.6 per cent planned to install it this year. Mr Harry Everett, Sapphire'a marketing manager, says that the picture is not uniform.

"Unix is still strong in some parts and larger companies are going for both systems, dependent on the application. But a more recent survey shows that our dealers are more committed to OS/2.

"At the same time, you cannot lose sight of MS/DOS – there are so many users who want support. There is no doubt, though, that users are confused by the whole thing," says Mr Everett.

Operating system software is at the centre of computing. It is important to hardware manufacturers, because it constrains the design of computers, and it is important to software developers because it provides an environment for applications and defines the market for their products.

Operating system software is important to users because it dictates the scope of current and future applications. In its first decade, the PC industry saw demand for compnter power push technology forward at a staggering pace. In only eight years, the designs of the original IBM personal computer and Microsoft'a MS/DOS operating system have been stretched well beyond their limits.

On the ona hand faster microprocessors, greater storage capacities and a diverse range of peripheral hardware has improved performance. On the other, complex user interface software and advanced applications have used up the extra power and stretched MS/DOS to breaking point. In spite of its flaws, MS/DOS still dominates the PC market.

Mr Paul Maritz, vice president of operating system development at Microsoft, says that 30m MS/DOS licences have been sold and that there are between 15 and 20m users. But MS/DOS is not able to exploit the advanced microprocessor technology in the Intel 80386, which is the engine in new IBM-compatible PCs and workstations.

Nor is It able to cope with advanced applications which need large amounts of memory and disk space. This means that MS/DOS is unsuitahle both for high-powered applications and for corporate computer networks.

Mr Maritz says that OS/2 is the natural path forward from MS/DOS. "We believe that we need to transition people to a richer environment than MS/DOS. End users are not interested in operating systems – they are interested in their applications and what they can do."

IBM and Microsoft announced OS/2 in 1987 to overcoma the deficiencies of MS/DOS. OS/2 allowa greater storage sizes and supports the Presentation Manager graphical user interface.

When complete, OS/2 will be able to operate in networked systems and communicate with IBM mainframe computers. OS/2 also allows more than one program to be active at a time – a technique called multi-tasking.

This means, for example, a PC running OS/2 can print a document, accept a data file

Computer users who are searching for stability face problems

from a telephone line and still allow interaction with ths user. But OS/2 is not compatihle with the earlier MS/DOS. This means that application programs developed for MS/DOS will not work under OS/2 unless they are changed.

Mr Maritz estimated that most leading software developers were committed to re-designing their products to work with OS/2 and estimated that 60 per cent of expenditure on software research and development was for products to run with OS/2.

Few products have emerged for OS/2 and this has opened the door to alternative operating systems. Unix, which was developed in the early 1970s for minicomputers, is promoted as the main alternative to OS/2.

Unix, like OS/2, provides many of the features missing from MS/DOS. It can handle large storage sizes and multitasking. It can handle many terminals and provide what is called a multi-user environment. This allows several people to work together on a system and makes Unix suited to systems where data and resources need to be shared.

Unix is supported by many different hardware manufacturers, which gives computer users a wide choice of hardware supplier. Unfortunately, in spite of steps to make Unix a nniversal standard, several conflicting standards have emerged, each hacked hy a powerful faction.

Unix originator AT&T leads one faction. IBM leads the opposing faction – the Open Software Foundation (OSF). To confuse the issue further, both factions have chosen to back Posix, the official international standard for Unix. This confusion over the future of Unix has harmed its chances

Moat software companiea have decided to try and develop their products on all three fronts. Mr Stuart McGill of UK software company Micro Focus argued that software technology was IBM-led and his company built its products for OS/2 and moved them to Unix later.

"We do not see Unix and OS/2 rubbing shoulders in the market. Ws do know, however, that OS/2 is standard – IBM makes sure of that. Looking at Unix, there is still some doubt about when we are going to get a true standard," says Mr McGill.

He also sees the emphasis shifting from ths choice of operating system to "interoperability" between systems on a network. "Big users are moving towards PC networks as strategic technology. They want applications and data to be portable."

Mr Rod Cook, technical director of accountancy software company Tetra, agrees: "Our angle is to cover all three systems and make our packages as consistent as possible. We also want to make full use of the PC's graphics power."

Mr Michael Skok, UK managing director of US database package aupplier Symantec, also sees "interworking" between applications emerging as a more important issue than the choice of system.

"There will be no single dominant system. MS/DOS will continue, OS/2 will grow in the multi-tasking market and Unix will grow in the multi-user market while Apple Macintosh will continue in its established markets."

PM

Uncertainties over standards

THE INTRODUCTION of the first IBM personal computer in 1981 started a very powerful move toward standardisation in the PC industry.

IBM went to outside hardware and software suppliers for the most important components of its PC and bought the MS-DOS operating system from Microsoft.

The PC was left more or less free of the defensive web of patents which IBM had spun around its larger computers, so other manufactnrers quickly joined the IBM bandwagon.

Scores of cheaper IBM clones appeared. All contained the same Intel 8088 microprocessor, other hardware components were similar, and all ran MS-DOS (often known simply as DOS).

The only PC manufacturer strong enough to defend its own operating system against MS-DOS was Apple. All the other operating systems have fallen by the wayside. so has the CP/M-16 from Digital Research, the only other serious candidate to become an industry-standard PC operating system for the 1980s.

For users, the establishment of a de facto standard operating system and PC design has brought advantages. They are not tied to a single vendor and can transfer data and programs between machines.

Standardisation has increased competition in the PC industry and seen greater choice, lower prices and faster innovation. Over the last couple of years, however, uncertainties have re-appeared in the field of PC standards. In 1987, IBM announced a new design for the most powerful members of its PS/2 range of PCs. This Micro Channel Architecture (MCA) was accompanied by OS/2, a new operating system.

Many people are confused between a computer's architecture and its operating system. The architecture describes the design of the computer's internal circuitry, while the operating system is the software.

An operating system can run on a range of different architectures and a given architecture can snpport more than one oparating syatem. Bnt there is a strong correlation between the two. Any operating system will run much better on a computer architecture designed for it – and if there is too great a disparity between software and hardware the system will not work.

OS/2 was developed (again by Microsoft) to take advantage of the more powerful Intel microprocessors which have been introduced since DOS was written. Although a series of updated versions of DOS have been released during the 1980s, the DOS is fundamentally old-fashioned.

The most important feature of OS/2 is that it is designed for multi-tasking. To take advantage of this, OS/2 needs to run on an 80386 machine with several megabytes of main memory. It also helps to have IBM's MCA or the Extended Industry Standard Architecture (EISA) developed by a rival group of PC manufacturers.

However OS/2 has not taken off in the market-place as quickly as IBM had hoped, and there is a shortage of software written for it.

Meanwhile Apple continues to provide a proprietary alternative on its Macintosh compoters. Its operating system, designed for Motorola rather than Intel microprocessors, stands ont for its graphical interface with the user, incorporating windows and icons on the screen. Apple recently developed a new multitasking operating system.

But the greatest challenge to OS/2 comes not from Apple but from Unix. This multi-tasking operating system was first written 20 years ago as a research tool for AT&T, the giant US telecommunications group, and originally used by sclentists and engineers.

Over the last two years the whole industry has agreed that Unix should become a standard operating aystem. Althongh the manufacturers have split into two rival camps, each putting forward a different version of Unix, all the publicity about "Unix wars" has rather obscured the tremendous drive to standardise.

Computer users are likely to force the two Unix groups to produce compatible versions. If such large customers as the US government say that they will only bny Unix computers that meet common open systems standards, then the manufacturers will have to comply.

So far Unix has been used most extensively on mid-range computers, but its supporters say that it will eventually dominate all business computing from PCs to mainframes. Already there is a wide range of Unix software available for commercial users of upmarket personal computers.

CC

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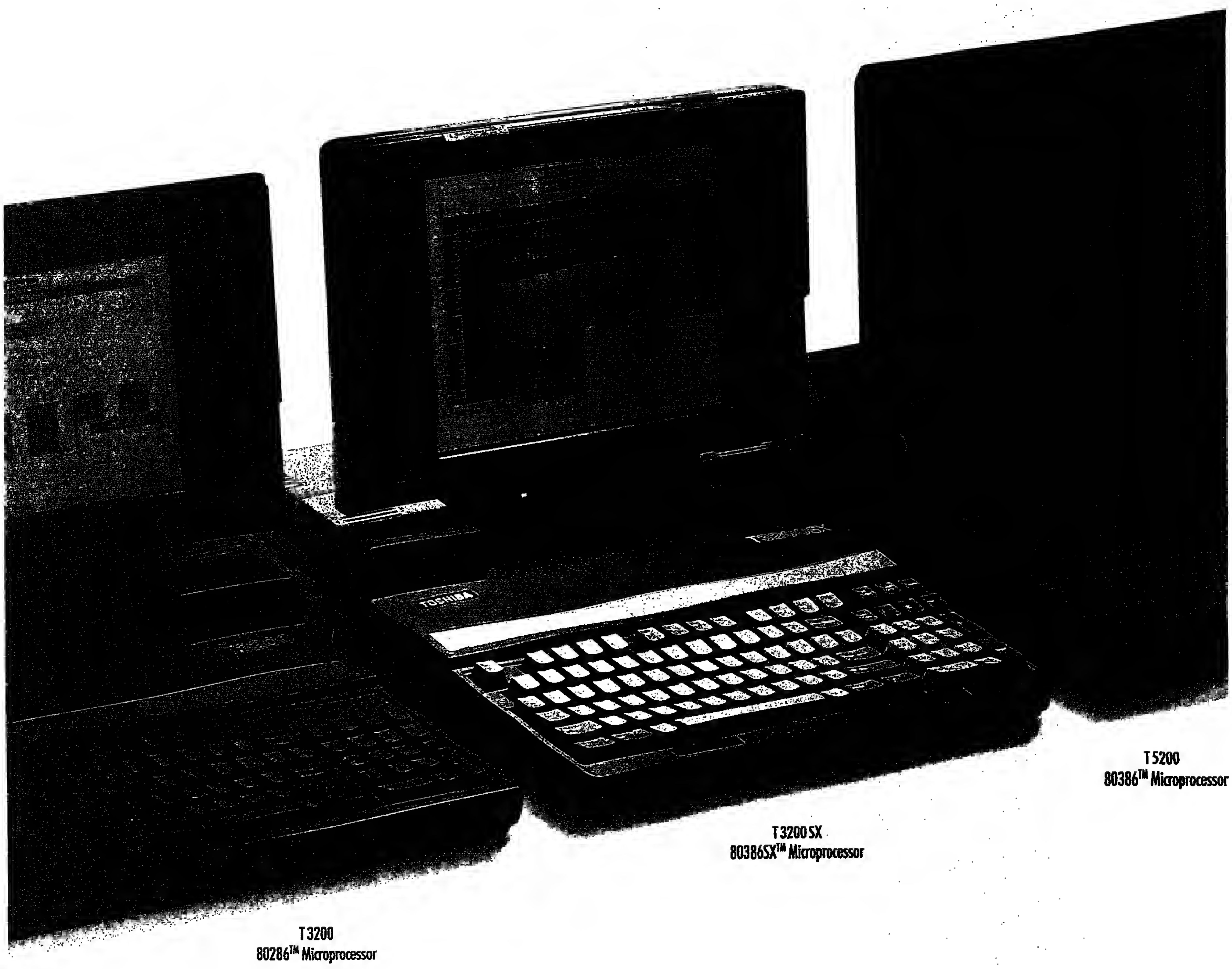

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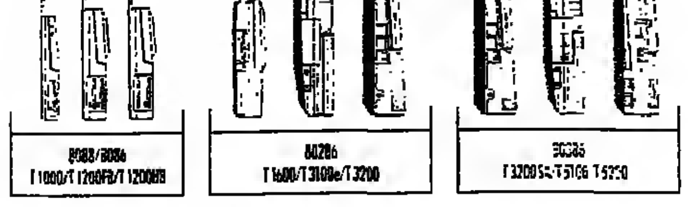

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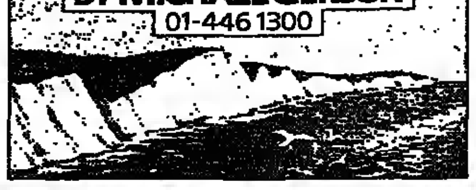


Hostile offer values DRG at £697m

By Andrew Bolger in London

DRG, the paper and packaging group which makes Sellotape and Basildon Bond stationery, yesterday became the target for a £697m ($1.09bn) hostile takeover bid from Mr Roland Franklin, an associate of Sir James Goldsmith.

Pembridge Investments, Mr Franklin's Bermuda-registered investment company, made a cash offer of 590p per share for the Bristol-based company, with a loan-note alternative. DRG's shares closed in London yesterday at 609p, up 14p.

Pembridge started buying DRG shares in June 1988, when the price stood at 391p. It now controls 24.4 per cent of DRG, which rejected Pembridge's bid as "wholly inadequate."

The bid is highly leveraged. Pembridge has fully paid-up share capital of £130m, of which £31.2m has been put in by Mr Franklin and his family, who own all the voting shares. Loan facilities totalling £655m have been arranged.

Mr Franklin said: "the conglomerate nature of DRG's structure ensures that the true value of the component parts is not and never can be reflected in the marketplace."

With existing management, he said, Pembridge would "remould *DRG into a single cohesive and* logical operation divested of its peripheral activities."

Mr Franklin said he would dispose of DRG's engineering division within 12 months. He would also examine DRG's four other divisions – stationery, specialist packaging, adhesive technology and office and print supplies.

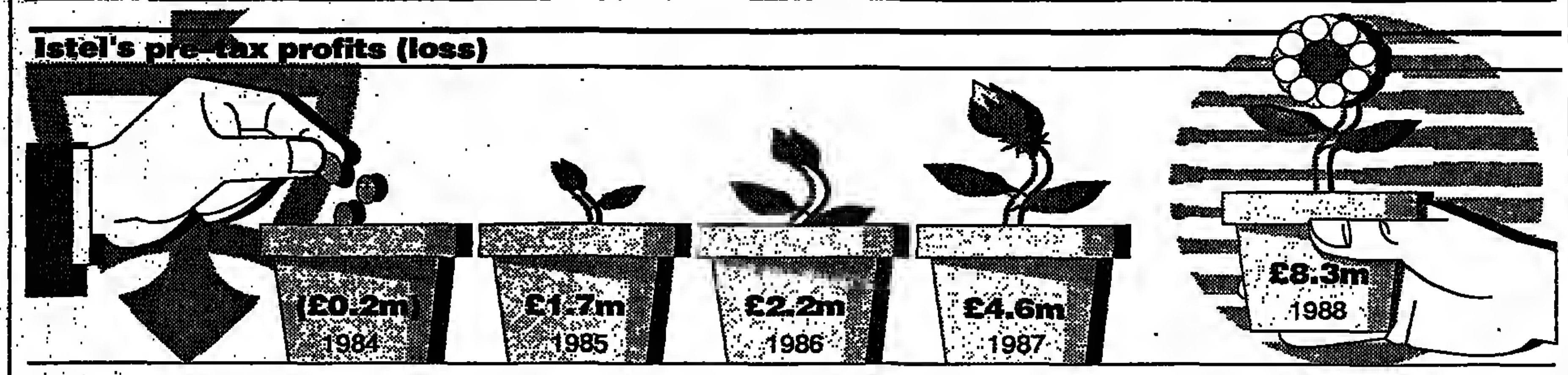
Proceeds from disposals would be used to pay off acquisition-related debt and to expand and develop the core business, which he saw as stationery and packaging.

Mr Moger Woolley, DRG's chief executive, countered: "This offer has only one objective – to enrich Mr Franklin and his backers at the expense of DRG shareholders. It fails to value DRG's prospects and takes no account of our focused strategy of investment in Europe and the US.

"Pembridge, a company formed with the sole purpose of acquiring shares in DRG, is a mysterious vehicle operating from a tax haven which has left more unsaid than said."

Mr Franklin was a director of Keyser Ullmann, the merchant bank which was taken aboard the Bank of England's "lifeboat" in 1974 during the secondary banking crisis. He lives in New York and was the chief executive responsible for the US investment activities of Sir James Goldsmith between 1979 and 1988.

Pembridge's backers, Page 31; Lex, Page 22



AT&T taps the specialist's hot line

Hugo Dixon examines the US telecommunications group's purchase of Istel

As Mr John Leighfield puts it: "The syndrome of an 800 pound gorilla is always a possibility." He is talking about the agreement for American Telephone and Telegraph, the US telecommunications giant, to buy Istel, the UK *information services* group of which he is chairman. And he adds: "We will not cease crying foul if we feel we are getting trampled on."

Despite some concerns that it could be squashed by AT&T, which, until now, has not been known for its ability to nurture fast-growing entrepreneurial businesses, Istel sees advantages in the deal.

One, no doubt, is that the £180m cash offer – which has been accepted by 53.7 per cent of Istel's shareholders – will turn its top 14 managers into millionaires. The next most senior 35 managers will get over £100,000 out of the deal, while about a thousand more junior employees will get a lump-sum of around £30,000.

The acquisition is something of an adventure for AT&T, as the American company has very little expertise in the advanced telecoms services which are Istel's speciality. Istel started in the 1970s as the in-house provider of communications and computer services to the old British Leyland car group, which has since changed its name to Rover.

In 1987, it was spun out of Rover in a £35m employee buy-out and embarked on an aggressive programme to reduce its dependence on its erstwhile parent. Rover retained a minority stake, however, and will get £39m out of the AT&T deal.

Istel's sales grew to £85m last year from £51m in 1986 – with almost all the expansion being in the non-Rover business – while pre-tax profits jumped to £8.3m from £2.2m. Mr Leighfield expects sales to reach £108m this year and pre-tax profits of £11m.

Istel's speciality is in providing high value-added telecoms services for particular sectors of the economy, such as the retail financial services and travel industry. It supplies building societies, for example, with a system for displaying the details of insurance, pension and unit trust policies. The company also provides more general-purpose telecoms services such as electronic mail and electronic trading systems, and is an expert in factory automation.

Nevertheless, Istel felt it was too small on its own to attack the global market for advanced telecoms services. Although it is the UK's leading independent provider of such services, it is dwarfed by large US firms such as General Electric Information Services, IBM and EDS.

Had it continued without a powerful partner the missed opportunities could have been large because of moves by the European Commission to liberalise the telecoms services market. Istel was afraid that its bigger rivals would carve up the continental European market before it could get established.

One benefit of being taken over by AT&T is that Istel should now have little problem funding its ambitious plans for growth through acquisition. The company has already identified a number of potential targets on the Continent.

Second, Istel believes AT&T's name will help it form partnerships, which it thinks will be an important element in its global expansion strategy. Up to now, the company has struggled to form relationships with Europe's monopoly telecoms operators, such as West Germany's Bundespost and France Telecom, which tend to prefer dealing with other large companies.

Third, Istel expects that the combination of its expertise in advanced telecoms services with AT&T's strength in basic telecoms services should create a package which will appeal to large multinational companies and governments.

Multinationals are increasingly putting out to tender large projects for designing and maintaining sophisticated tailor-made networks. Istel has found it difficult to enter this business because it has little knowledge of basic networking.

On the other hand, AT&T is facing stiff competition in this market from companies such as MCI, its main US telecoms rival, and IBM – both of which are selling themselves as solutions providers.

Nevertheless, AT&T's acquisition of Istel has risks for both sides because of doubts about how the relationship between what are two very different beasts will work out.

It is unclear whether the US company is prepared to rely on Istel as its vehicle for attacking the advanced services market in Europe or whether the Istel acquisition is just one of a number of approaches.

There is also the question of whether AT&T can continue to motivate Istel's employees.

With such large sums being paid out to Istel management there must be a question over whether AT&T will be able to keep the loyalty of its staff.

Mr Leighfield, however, says that the lump-sum most staff will be getting for their shares "will be a very useful amount of money, but it doesn't mean you can lie on the beach all day."

Although his own shares and options are worth £4.5m, he has no plans to retire. "My ambition is to build Istel into a global business. I have no aspirations to have yachts and race horses."

What is going to keep Istel's top management on board is the opportunity to build the business on a scale they did not previously imagine, says Mr Leighfield, who will remain Istel's chairman and also become an AT&T vice president.

For its part the US company points out that its chairman, Mr Bob Allen, has made a huge effort over the past year to give more independence to its business units, so that an entrepreneurial attitude can flourish. But outsiders say this process still has a long way to go.

Even so, Mr Leighfield believes that he and the 800 pound gorilla have learned to trust one another over the past few months of talks. He also thinks Istel is sufficiently nimble to avoid being squashed.

Columbia directors consider Sony bid

By James Buchan in New York and Stefan Wagstyl in Tokyo

DIRECTORS of Columbia Pictures Entertainment, the Hollywood film studio and television producer, will meet today to consider an offer for the company of as much as $3bn from Sony of Japan.

The offer is broadly expected to win approval from the board and from Coca-Cola, the soft drinks company which owns 49 per cent of Columbia Pictures.

But it was not clear yesterday what price would be agreed, and Columbia Pictures stock, which had surged in New York on Monday in prospect of an imminent agreement, fell back modestly yesterday morning.

Sony declined to comment yesterday. However, several analysts in Tokyo said they thought Sony was about to announce an agreed bid for the US group of about $3.4bn, plus an assumption of debt of $1bn.

The possible sale of Columbia Pictures has excited Hollywood and Wall Street. *A sale to Sony* would mark not only the largest expansion of Japanese capital into the entertainment business but also a possible new direction for the consumer electronics industry.

Columbia Pictures, which began life during World War 1 and took the Columbia name in 1924, said yesterday that its directors had met on Monday night to discuss the sale of the company.

Company officials refused to confirm that Sony had made the offer.

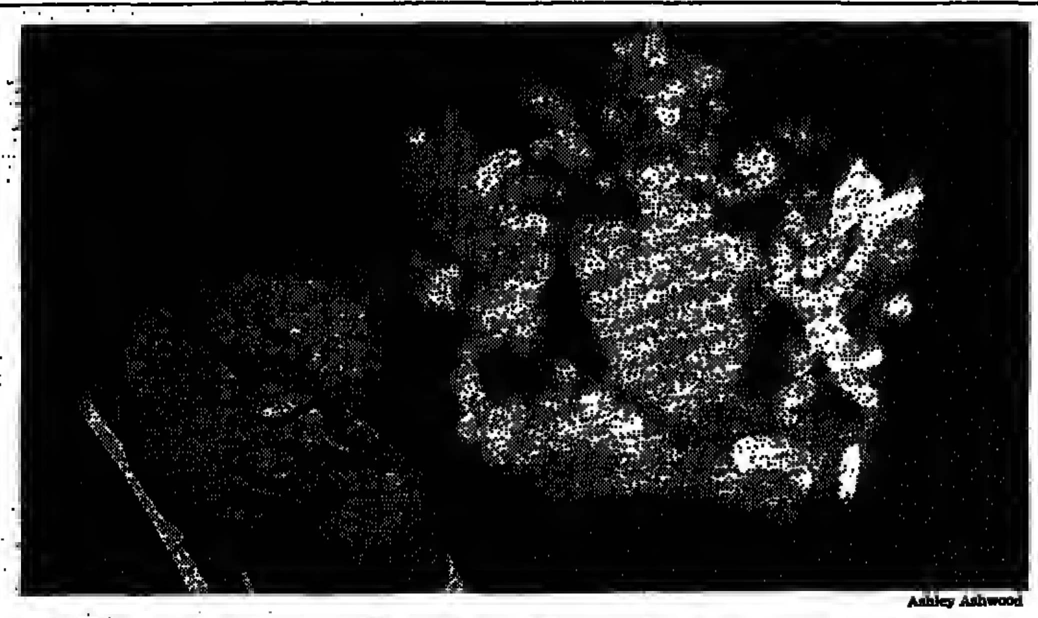
Columbia Pictures said that the meeting would be adjourned until today.

Sony, the world's leading maker of video cameras and players, has shown interest in Columbia Pictures for a year but talks became bogged down over the high price Coke is demanding for its shares.

Two years ago the Japanese group bought CBS Records for $2bn, and apparently it remains keen to have greater access to the entertainment "software" – films, television programmes and recorded music – that its machines depend on.

The heart of Columbia Pictures' business is its Hollywood studio, which has a market share of about 14 per cent behind Walt Disney, Warner Communications and Paramount Communications, but is *losing money. It also* has a 3,000 title film library.

However, much of its value lies in a successful television business based around comedy and game shows.



Ashley Ashwood

Lord King, British Airways chairman: sees no reason why UAL deal should not be cleared

BA launches £320m rights issue

By Paul Betts in London

BRITISH AIRWAYS yesterday launched a £320m ($512m) rights issue of convertible capital bonds to finance part of its $750m investment in the takeover bid for United Airlines, a move now being reviewed by the US transport *authorities.*

Lord King, BA's chairman, claimed there was no reason why the $6.8bn buy-out of the second largest US airline should not be cleared, emphasising that the deal had been structured "in full knowledge of US regulations."

He added the US authorities "would have to rewrite the rules if they wanted to change the deal." Under the buy-out scheme, BA is planning to acquire a 15 per cent stake in United, while UAL employees would control 75 per cent and management the remaining 10 per cent.

Current US regulations place a 25 per cent *limit on foreign share*holdings in an American airline. But the US authorities have expressed concern over the stake-building by European airlines in major US carriers.

The US Department of Transportation is now reviewing KLM's plans to invest $400m in Northwest Airlines, and announced on Monday a review of the UAL-BA deal.

Airline industry analysts see *the latest Washington moves* as the opening shots of what is likely to become an increasingly fraught transatlantic battle between European airlines, seeking to secure greater access to the US market, and US airlines trying to position themselves in Europe ahead of the single European market of 1992.

The equity raising operation announced by BA yesterday – the first by the airline since its privatisation – involves an issue of convertible capital bonds paying gross interest of 9.75 per cent.

They will be offered to shareholders at 100p each on the basis *of four for every nine BA ordi*nary shares owned. Between 1993 and 2005 they will be exchangeable for ordinary shares on the effective basis of one share for about every 5.5 shares now held.

The convertible capital bonds are more tax efficient than a preference share issue because BA can claim relief on interest payments at 35 per cent rather than the 25 per cent advance corporation tax rate on dividends. More*over, the fact that* the bonds will eventually be converted into shares means they count as permanent capital.

BA said yesterday that if the United deal was not completed, the money raised would be used to fund the airline's planned £30m investment in a 20 per cent *stake in Sabena, the Belgian air*line, and other developments.

However, Sir Colin Marshall, BA's chief executive, acknowledged that negotiations with Sabena were taking longer than expected because both BA and KLM, which is also planning to take e 20 per cent stake in the *Belgian airline*, were currently absorbed by their respective US deals. Sir Colin also confirmed that BA was looking for partners in the Far East but that no deal was imminent.

INTERNATIONAL COMPANIES AND FINANCE

Pioneer Int'l to sell minerals side

By Chris Sherwell in Sydney

PIONEER International, the Australian-based international *building materials and* resources group, announced yesterday it would dispose of all its mineral interests, estimated to be worth between A$400m ($US317m) and A$500m.

The decision marks an important change of corporate strategy, reversing its thrust into mining in the 1980s. Significantly, it was announced by Mr Des Quirk, its managing director, who took over from Sir Tristan Antico, the company's founder and chairman, 20 months ago.

Mr Quirk said the sales, to be started immediately and conducted this year by Macquarie Bank through public tender and special campaigns, would realise "some substantial capital profits as well as some losses," but overall they "should result in a significant capital profit."

The disposal of its extensive uranium, gold and base metals interests will leave the group with major operations in building products — concrete, cement and aggregate spread throughout Australia, Europe, the US, Israel and Hong Kong — and in Australian petrol refining and marketing through the Ampol group.

"The funds raised will initially be used to repay debt," Mr Quirk said in an unexpected statement.

"Thereafter, they will permit increased investments in our core activities in the building prodncts field," especially abroad. He pointed in particular to aggregate reserves and cement manufacturing, and also to petroleum refining capabilities.

With his decision, Pioneer — formerly Pioneer Concrete Services — is following a path taken by the CSR group, one of its main Australian rivals. In e successful switch helped by a construction boom, CSR extricated itself from oil, coal and other resources to concentrate on its building materials and traditional sugar activities.

According to one broking analyst last night, the market has been awaiting e strategic decision by Pioneer. Apart from mineral sands, he said its minerals involvement — directly in uranium and gold and, latterly through Giant Resources, in gold and base metals — had been less than illustrious.

Earlier this year Pioneer's shares dipped to A$2.30 amid suggestions that it was ripe for takeover.

It had called off e plan to sell its minerals interests to Giant, in which it had picked up a costly 42 per cent stake after the 1987 crash, and was headed for its first earnings fall in 30 years after reporting a 10 per cent drop in interim profit.

Analysts say its problems stemmed principally from its minerals interests. They pointed to the difficulties facing its Nabarlek mine because of the Government's restrictive uranium policy, to a legal dispute over its original A$300m purchase of shares and options in Giant, and the disappointing performance of Giant's operations. A year ago Pioneer wrote down the value of Giant by A$143m.

Earlier yesterday, Giant announced that it was discussing the sale of its Canadian *mining assets* with a syndicate of investors. These include its 44 per cent interest in Curragh Resources, a lead and zinc producer, and gold mining interests within the Pamour group. The syndicate was said to be represented by Curragh.

IBM lowers prices to block rivals

By Louise Kehoe in San Francisco

IN AN aggressive attempt to fend off growing competition in the personal computer market, International Business Machines yesterday reduced the prices of some of its existing products, launched two models and detailed its Micro Channel architecture strategy.

IBM expanded its PS/2 Model 70 386 family with two new models that offer more affordable fixed disk drives.

The compeny also announced price reductions of 5 per cent to 20 per cent on some personal computers and boosted others with extra memory at no additional cost.

In what appears to be a pre-emptive strike at its leading competitors, IBM also revealed future plans for its Micro Channel architecture.

The Micro Channel is the internal data communications system design that IBM introduced with the launch of its second generation PS/2 personal computers.

Although IBM has sought support for Micro Channel an industry-wide standard for personal computers, its main competitors, led by Compaq Computer, are developing an alternative architecture known as the Extended Industry Standard Architecture.

A great difficulty for IBM has been to persuade customers of the advantages of Micro Channel in the face of competition from EISA supporters.

Compaq and others are expected to launch the first EISA based personal computers later this year.

IBM stressed yesterday that Micro Channel will play an important role in its future products.

The company said that it plans to use Micro Channel in products ranging from personal computers to scientific work stations and powerful mainframe computers.

"Understanding IBM's strategic Micro Channel direction is vital to computer designers, software vendors, card developers and, most importantly, our customers," said Mr George H. Conrades, IBM senior vice president and general manager, US Marketing and Services.

He described ways in which IBM will achieve an eight-fold increase in the rate at which data is transferred within a computer system. This will be achieved using Micro Channel at speeds of up to 160 Megabytes per second for use in very high performance computers.

Seaman Furniture in write-offs

By Anatole Kaletsky in New York

SEAMAN FURNITURE, the troubled New York-based furniture retailer which was acquired in e *leveraged* buy-out two years ago by Kohlberg Kravis Roberts, has announced e restructuring plan that would involve large losses for its junk bond investors es well as substantial write-offs for its banks.

The restrnctnring, announced on Monday, will require Seaman's bankers, who are owed $275m, to convert into equity $100m, or 36 per cent of their present loans.

Another $25m of the bank debt will be converted into senior subordinated notes, due in 1998. Interest on these notes will be payable through the issue of new notes, rather than in cash.

Of the remaining $150m in bank debt, only $125m will be serviced in cash. The other $25m will accrue interest, but will not receive cash payment for three years. As e result of all these exchanges the currently payable debt to the banks will shrink from $275m to $125m.

Holders of Seaman's $83m worth of 15 per cent junior debentures will fare even worse.

Ninety per cent of their bonds will be exchanged into $21m worth of pay-in-kind 12 per cent debentures, while the remaining 10 per cent of the original notes will be left outstanding.

KKR and the Seaman family will inject $42m into the company from their own resources and will see their combined equity stake fall from 80 per cent to about 52 per cent.

Rhône-Poulenc to guarantee takeover

INSTITUT Mérieux, the French bio-technology company, plans to finance its proposed C$942m (US$801m) acquisition of Connaught BioSciences with a letter of credit guaranteed by its main shareholder, Rhône-Poulenc, said Mr Jacques-Francois Martin, director general of Merieux, agencies report.

The battle for control of Connaught BioSciences, the Canadian vaccines producer, intensified on Monday when Institut Mérieux, lifted its offer to C$37 a share cash.

The new bid from Mérieux is well above the C$30 cash offered two weeks ago by Ciba-Geigy, the Swiss drugs and chemicals group.

"We are prepared to consider putting up to 49 per cent in Canadian hands," Mr Martin said.

Mr Martin added that Mérieux, if it succeeded in acquiring Connaught, hoped to develop further relationships with other Canadian bio-technology concerns, universities and research institutions. This would happen possibly through joint ventures.

Without the merger, Mr Martin said, Connaught and Mérieux "will disappear from the scientific world in a few years" because of the rapidly escalating costs of research and development."

He declined to discuss the possibility that the partnership of Ciba-Geigy of Switzerland and California-based Chiron might increase their C$30-a-share offer to top that of Mérieux.

The Connaught board has accepted the new Mérieux offer on behalf of all shareholders.

It replaces an earlier deal with Mérieux involving e share exchange and a spin-off of Connaught's research operations into a Dutch subsidiary.

Mérieux, whose president, Mr Alain Mérieux, is grandson of the founder, is the world's second largest vaccines maker.

It has been stalking the Canadian vaccine and bioresearch group for a year.

Success would create the world's largest producer in an increasingly global market.

Brazil wins investment

By John Barham in Sao Paulo

RHONE-POULENC, the French state-owned chemicals group, has announced a $2bn, 10-year investment programme at its Brazilian subsidiary.

The company, known as Rhodia S.A. in Brazil, said the investments would be concentrated at its artificial fibres, biotechnology and bulk and fine chemicals businesses.

About 15 per cent of the investments will be used to increase industrial automation. Rhodia, which recorded 1988 sales of $966m, is the largest non-Brazilian chemicals concern.

The closely-regulated chemicals industry is undergoing a $6bn government-supervised expansion programme to raise output by 88 per cent by 1995.

Rhodia said its 10-year plan would be financed from retained profits and through a capital injection from its parent company.

The decision to invest the $2bn had already been taken, but precise details of the plan would be announced only after the conclusion of further studies, probably in November or December.

A&M records 'negotiating' Polygram sale

A&M RECORDS, one of the two large US independents, is negotiating the sale of the company to Polygram International, a 90 per cent-owned offshoot of Philips, the Dutch electronics group, Reuter reports. Financial terms were not announced.

Earlier this month, Polygram had declined to comment on reports that it had agreed to buy A&M for about $500m.

Mr Herb Alpert, chairman of Los Angeles-based A&M, said in a memo to the staff that the transaction had about 30 days to become totally effective. Further details were not disclosed.

Polygram already has licensing agreements with A&M through which it distributes records in Europe, excluding the UK, and South America.

Mill project

QUEBEC is forming putting together a consortium to build a rolling mill to produce thin sheet aluminium for North American and overseas can markets, at a cost of between C$500m and C$1bn to be owned by two or three aluminium companies.

Iri president's resignation seen as warning to Italian coalition

By John Wyles in Rome

MR ROMANO PRODI, the highly effective president for the last six years of Iri, Italy's giant state holding company, has submitted his formal resignation to the Government and even offered to depart before the expiry of his mandate on October 29.

Since his letter stresses he is not prepared to prolong his period in office beyond that date, it is seen as a warning to the coalition parties that the top post in state industry could be left vacant unless they end their behind-the-scenes bargaining over a clutch of public sector jobs.

These include the presidencies of Eni, the state energy company, Enel, the public electricity company, and, ultimately, of the Ferrovie dello Stato, the state railways. The top slot at Enel will almost certainly be opened np by the appointment of its current president, Mr Franco Viezzoli, to succeed Mr Prodi at Iri.

Romano Prodi: vacating top post in state industry

Iri has always been run by a Christian Democrat, but Mr Viezzoli's other qualifications are based on a strong managerial reputation acquired during a 37-year career at Iri, which was interrupted by his move to Enel two years ago.

After Mr Franco Reviglio's six-year reign at Eni, the Socialist Party believes it has a lien on that job which also falls vacant at the end of October.

Mr Reviglio has not sent in any letter of resignation and is widely thought to be anxious for a further term. However, Mr Bettino Craxi, the Socialist leader, is thought to have other candidates in mind.

Names which have been floated in the press include Mr Renato Ruggiero, the Foreign Trade Minister, and Mr Mario Schimberni, who is currently running the railways on an emergency basis.

It is common for the political parties to fail to agree on a share-ont of jobs, and for incumbents to be left in office long after their terms hava expired.

BBA Group launches Pacific flotation

By Clay Harris

BBA GROUP, tha UK-based industrial company, yesterday launched its long-awaited Australian flotation of Pacific BBA. The subsidiary's core business is Brake and Clutch Industries, Australia's only manufacturer of these automotiva components.

The issue of 45 per cent of Pacific BBA's equity at A$1.50 per share will raise A$41.3m (US$32.6m) before expenses and value the company at A$91.8m. This is slightly less than envisaged when the UK parent unveiled the plan in March.

BBA, a manufacturer of motor components, industrial materials and aviation parts, sees Pacific BBA as its vehicle for expansion in the Far East in the same way that Britain's BTR has used its Australian-listed BTR Nylex offshoot.

Pacific BBA is forecasting profits of A$24.4m before tax and interest this year. Motor components account for 80 per cent of sales and industrial products for the rest.

Mr Peter Clappison, BBA finance director, said yesterday that 1988 results were not meaningful since Viscount Consolidated, a manufacturer of plastic moulded products incinding car bumpers, had been bought since the year-end.

Pacific BBA also includes Angus, a manufacturer of fire hoses, and two friction materials companies, including one in Malaysia.

The only BBA activities in Australia and Asia that have not been injected into Pacific BBA are a 49 per cent stake in Bendix Mintex, an Australian maker of disc brake pads, and Automotive Products Japan, a merchanting operation.

● Reuter adds from Adelaide: Adelaide Steamship (Adsteam), the holding company of Australian entrepreneur Mr John Spalvins, has raised its stake in Industrial Equity (IEL), Sir Ron Brierley's Australian holding company, to 15.17 per cent of the voting shares.

Adsteam said it bought shares in the market between September 7 and 22 at prices ranging from A$2.20 to A$2.25.

Better times in store for Campeau

Karen Zagor on the fall-out from the Canadian group's difficulties

There is a lull in the storm surrounding the fate of embattled Campeau Corporation's retailing operations.

Most factors have given their manufacturing clients the go-ahead to rasume deliveries to tha Toronto-based company's US department stores.

Factors are the low-profile financiers of the apparel industry. They check and guarantee credit and provide advances against accounts receivable.

Manufacturers can use any or all of these services. When a factor tells a client he can no longer guarantee the credit of a big department store, the client usually listens.

This is exactly what happened last week when news broke of debt-laden Campeau's cashflow problems. Many factors quietly told their clients they could no longer guarantee the credit of Campean's Allied & Federated stores, including such big names as Bloomingdale's and Abraham & Straus.

The effect was swift and direct as deliveries to tha stores were virtually frozen. Many believa this added urgency to negotiations over the Olympia & York Developments rescue package, pushing Campeau to reach a speedy arrangement, so that short-term credit would be extended doring the critical Christmas season.

The package involves the Reichmann brothers' O&Y pumping US$250m of working capital into Campean in return for a much-enhanced equity stake.

Campeau admits that factors are having an increasing influence over its day-to-day operations. "The situation dictates working more closely with factors than we have in the past," it said. Campeao will meet many of its factors this week.

"We are anxious to sit down and review the cashflow projections and other documents and to get assurances from Campeau," said Mr Francis Basile, chairman and chief executive of CIT Group-Factoring, the biggest US factoring company and part of Manufacturers Hanover's CIT financial services group.

These are trying times for the US factors. If private-label merchants cannot sell to their traditional big department store clients, they can be left with surplus goods on their hands. "As factors, we don't make money hy saying no," said Mr Basile.

He added that the factoring industry had to live with circumstances that would have been unacceptable a few years ago.

In the wake of a series of leveraged buy-outs (LBOs) and poison pills to avoid hostile takeovers, a number of big-name stores, including R.H. Macy and Montgomery Ward, have taken on a vast amount of debt.

Retailers are helpless without sufficient cashflow, particularly in the autumn, when the stores are building stocks for Christmas. It is this seasonal aspect of the retailing husiness that makes it a particularly difficult environment for highly-leveraged companies.

Campean says its recent liquidity problems arose from a decision earlier this year to reduce a $925m Citibank loan with $125m from Federated's working capital. Federated will receive $150m of the working capital infusion from O&Y.

The dramatic impact that LBOs can have on the allocation of a retailing company's cashflow is illustrated by a report hy Mr Walter Loeh, a principal at Morgan Stanley, the investment hank.

In retailing, prior to an LBO, interest and taxes account for about 26 per cent of cashflow, with capital expenditure accounting for 62 per cent. After an LBO, capital expenditure dwindles to 13 per cent, with interest and taxes accounting for 63 per cent.

Factors must now concentrate on cashflow and short-term payment. In the case of Allied and Federated, the factors are not saying they are good credit risks, merely that cashflow is sufficient to pay hills in the next 30 to 60 days.

Shake-up boosts La Générale

By Tim Dickson in Brussels

SOCIETE Générale de Belgique, the leading Belgian holding company which has nndergona a suhstantial restructuring in the last year, yesterday disclosed that its share of group consolidated profits amounted to almost BFr11.5bn ($287m) in the first six months of 1989.

The total includes BFr2.3bn of exceptional items, mainly the result of selling stakes in other companies at a profit.

This is the first time La Générale – now controlled by France's Compagnie Financière de Suez – has produced an interim report, so there is no basis for comparison with the equivalent period of 1988. However, for last year as a whole, the company registered a BFr2.36bn loss.

Yesterday, La Générale's board issued a statement saying that "based on available information the profit for the year provisionally announced in June 1989 [BFr15bn for the group's share in the consolidated net current profit and BFr2bn to BFr3bn for its share in the extraordinary items] should be slightly higher."

Three reasons ware advanced for the buoyant half-year performance. Most important is the strength of the business cycle in most of its main activities, notably in non-ferrous metals, cement, shipping and Belgian real estate.

Second, La Générale has increased its control over various group activities, such as Tractebel, thereby enabling it to consolidate extra profits in its own accounts.

Finally, there has been what a spokesman described last night as the "positive effect" of restrnctnring, lower break-even figures and increased productivity across the group.

Center Parcs has slight fall in first half

CENTER PARCS, the Dutch leisure group in which Scottish and Newcastle Breweries acquired a 65 per cent stake in July, has reported a slight fall in first-half net profits from Fl 17.4m ($8.13m) to Fl 17.3m, writes Our Financial Staff.

Turnover rose from Fl 235.5m to Fl 302.3m. Operating profit was Fl 56.4m in the latest period, against Fl 42.8m, but financing costs jumped to Fl 30.7m from Fl 20.1m. Pre-tax profit before extaordinary items was Fl 25.7m against Fl 22.7m last time.

Center Parcs said it expected 1989 net earnings would show only a modest rise over 1988's profit of Fl 44.8m. In March, Center Parcs had forecast 1989 earnings would be "clearly above" 1988 levels.

The company added that a rise in tax charges in 1989 would largely offset a forecast rise in pre-tax profits hefore extraordinary items, where full-year growth is expected to exceed the 13 per cent increase posted in the first half.

Center Parcs said improved results at its French holiday park would contribute to the higher pre-tax earnings.

Benckiser to draw on Euro funds

By Haig Simonian in Frankfurt

BENCKISER, the fast-growing West German detergents group, which in July made a surprise $260m purchase of Camp, Spain's biggest privately-owned detergents producer, expects to start drawing on its recently-announced $50m Euro-commercial paper programme early next month.

The programme, arranged by Deutsche Bank, marks the company's debut on the Euromarkets and is part of a drive to help finance its ambitious acquisition policy, which will probably raise group turnover to about DM2.6bn ($1.3bn) this year.

Mr Peter Harf, Benckiser's chief executive, said the group was now likely to enter a consolidation phase, with no new acquisitions planned for the immediate future.

Prices for detergent and consumer goods companies had become excessive, following the continuing sharp demand for acquisitions and the fact that "people have become increasingly professional about selling," he said. "We won't buy unless we see value where the market doesn't."

Despite the rise in prices and increasing concentration in the world detergents industry, Mr Harf still feels there are plenty of interesting takeover candidates. Southern Europe, where Benckiser's most recent acquisitions have been concentrated, remains "a very attractive area for the future," he said.

But the company would be "delighted" to find an acquisition in the US, and "even more delighted" to find one in Germany.

The interest in the German market stemmed not from Benckiser's own origins, but was due to the size of the German detergents market, where, he thought, the group was still relatively weak. Only about 10 per cent of group sales are likely to be generated in Germany this year.

Mr Harf confirmed Benckiser had increased its stake in Mira Lanza, the Italian detergents and speciality chemicals group in which it bought a 54 per cent interest in early 1988, to around 76 per cent. The group had taken advantage of what had been very cheap equity prices earlier this year, he said.

However, Mr Harf denied Benckiser intended to buy all Mira Lanza's shares, rumours of which may have been behind the subsequent sharp increase in its equity price. "It's not our strategy to take (Mira Lanza) out of the market. The speculators should be aware of that by now," he said.

Rather, he thought some of the recent buying of Mira Lanza stock may have been attributable to investor interest in Benckiser itself, which is not quoted on the bourse. Buying into a quoted subsidiary would be the next best thing, he pointed out.

Such opportunities could increase, if Benckiser decides to float minority interests in some of the companies it has bought in the past two years, as part of its drive to put its medium-term financing on a more stable basis.

The 50 per cent – 60 per cent annual growth rates, achieved by Benckiser in recent years, could not be sustained by internally-generated funds and fixed-rate borrowing, according to Mr Harf. "You need to think about medium term financing if that's to continue," he said.

Among its options are floating stakes in companies like Camp, Mira Lanza, or operations in France or the US which it has acquired in recent years. However, Mr Harf maintained that floating Benckiser itself remained out of the question.

Meanwhile, the question of legal action by Procter & Gamble, the huge US detergents group, which Benckiser pipped to the post in buying Camp, was not a concern, he said. Benckiser had purchased the shares in Camp directly from members of the Camp family. Therefore, the threat of legal action by Procter & Gamble had never been an issue.

Industrial action looms in NZ over meat merger

By Terry Hall in Wellington

NEW ZEALAND meat workers are planning severe industrial disruption following the proposed merger of Affco and Waitaki, the two biggest freezing companies in the North Island.

The long-awaited merger appears certain to lead to massive restructuring of the industry, the closure of a number of plants or processing chains and thousands of job losses.

The proposed merger requires Commerce Commission approval and must gain the consent of banks that hold substantial loans with indebted Waitaki. The merger is likely to have the support of the Government, which has been concerned for some time at the state of the industry following perceived labour inefficiencies, old plant and massive reductions in stock numbers since 1985.

Under the proposal, Waitaki Industries, a public company controlled by Goodman Fielder Wattie and Fletcher Challenge, is to sell its seven North Island works, including interests in small goods and hide processing plants, to Affco in exchange for a 25 per cent redeemable shareholding in the enlarged Affco company.

The deal has been welcomed by farming interests that control the co-operative Affco group. Mr Brian Chamberlin, chairman of the Federated Farmers, said it was regrettable that thousands of workers faced redundancy but that the shake-up was necessary to lower costs in the farming sector.

The Freezing Workers' Union has criticised Affco and Waitaki for failing to consult it over the redundancies and possible plant closures and for causing considerable uncertainty among its members.

Mr Bryan Willis, Affco's chairman, said the company was unable to talk to the union until questions of ownership were settled. "Rationalisation will be handled on the basis of structuring facilities in relation to stock numbers in regional areas." He said this would take time.

The structure of the deal allows Affco eventually to acquire the Waitaki shares and secure 100 per cent farmer-ownership. Both companies say talks on the future of the company will continue with the Government.

The Waitaki chairman, Mr Pat Goodman, said the merger would stabilise and improve New Zealand's position in processing and marketing.

Waitaki's principal shareholders, FCL and GFW, said last year they wanted to sell their holdings in Waitaki but would do so only when they had found suitable buyers. It is understood they are continuing talks with the South Island-based farmer co-operative company, Alliance, on selling Waitaki's substantial chain of South Island works.

The new enlarged Affco group will control 13 works after the merger. It is expected that at least four will be closed with the loss of up to 4,000 jobs. The outcome will be of immense importance to many rural communities, such as Masterton, in the Wairarapa, where the four-chain works employs 800 people and is the largest employer in the town.

Saab sells components plants

By Robert Taylor in Stockholm

SAAB-SCANIA, the Swedish automotive and aerospace group, has found buyers for two of its component plants that it had decided to sell off as part of its rationalisation programme designed to rescue the troubled car division.

Its silencer manufacturing plant in Nykoping has been bought by Torsmaskiner, part of Komponentutveckling in Gothenburg, while its fender production facilities in Kristinehamn have been purchased by Plastal, a subsidiary of Electrolux's Granges company.

"Both companies are well established within the components industry, financially strong and known to have the capacity not only to carry on component production but also to expand," said Mr Jan-Erik Larsson, head of Saab's car division.

Saab-Scania is negotiating to sell two more of its component plants that make electrical wire equipment and hopes to reach agreement on their sale shortly.

In the past few days Saab-Scania has repeated its determination to push through the structural changes in its car division it believes necessary to reduce costs and to sell more models. It is confident this will bring a substantial improvement in its position over the next two years, whether or not the current discussions on co-operation with Ford Motor Company succeed.

Bunzl disposals worth £150m expected

By John Ridding in London

BUNZL, the UK distribution and specialist manufacturing group, is expected today to announce plans for a substantial restructuring of its operations through disposals that could be worth up to £150m ($242m). The aim is to reduce gearing and refocus the company's activities.

The changes reflect the problems associated with Bunzl's previous policy of acquisition-led growth.

The rate of acquisitions, which included 56 new companies between January 1986 and April 1988, has strained management resources and resulted in current borrowings of about £200m, over 80 per cent of shareholders' funds.

The problems were reflected in interim figures released earlier this month, which saw pre-tax profits fall from £48.4m to £41m. Following the results, forecasts for the current year were downgraded from about £105m to £90m.

There is a range of candidates for disposal. In specialist manufacturing, the teabag tissue and paper businesses could be sold. Both are reaching capacity constraints and require large investments for further growth.

On the distribution side, likely disposals include the US building materials operation and the fine paper recycling business which has suffered from depressed margins and difficult US pulp and paper trading markets.

The disposals will not be the first evidence of a change in group strategy. In May, the group sold off its transportation division to management for about £50m and last year's disposals brought receipts of about £60m.

Analysts said Bunzl had been forced into a change of strategy. Disappointing earnings growth had depressed the company's stock market rating, which had ruled out the use of paper to fund further expansion through acquisitions. In addition, its markets had become more difficult and the acquisition targets more expensive.

"Bunzl has a credibility problem," said one analyst. "They will need to show us that they have got a good price for any disposals they make and that they have a clearer idea of where they are now going."

INTERNATIONAL COMPANIES AND FINANCE

Soy sauce takes route to the West

Raising its overseas profile through the acquisition of a chunk of Del Monte's processed food business is not Kikkoman's only intention, reports Robert Thomson. It also hopes to consolidate its position at home by convincing Japanese consumers that the brand has international credibility

Kikkoman Corporation, which traces its origins to a 17th century family of soy sauce brewers near Tokyo and is now picking up pieces of the RJR Nabisco sell-off, wants to protect its domestic market share as much as raise its international profile.

While buying a chunk of the Del Monte processed food business will not necessarily put a bottle of soy sauce on every US table, Kikkoman presumes that the broader association with the brand will raise its profile in the US and that the deal will secure its control over Del Monte products in Japan, where it has had marketing rights for the label since 1963.

A Kikkoman official would not reveal the company's share of the $1.475bn purchase of the Del Monte division from RJR Nabisco, which is raising money from asset sales to reduce the debt incurred on its $25bn leveraged buy-out. The Japanese company has also agreed to purchase various Far Eastern assets of Del Monte in a deal that is believed to exclude operations in the Philippines.

"Global brands are very important. Del Monte is a quality international brand and Kikkoman is a quality international brand. The two will work well together," the Kikkoman official said.

A reputation for quality is particularly important in the Japanese market and Kikkoman has been introducing an increasing number of products aimed at the top end of the foods market. Soy sauce now comprises about 55 per cent of the company's sales, while other foods make up 29 per cent and alcoholic beverages 17 per cent.

The company has introduced processed food lines under a Del Monte label, but has had to seek approval from the US company before marketing the new products, which have included pasta sauces promoted as potential gifts. It is common for food or drinks, if tastefully enough packaged, to be presented as gifts in Japan.

In 1962, Kikkoman and a real-estate company, Senshu, established the Tone Coca-Cola Bottling company, which still has rights to bottle and distribute the cola in three prefectures. In the same year, the company, through a wholly-owned subsidiary, Katsunuma Yoshu, began the production of wine from grapes grown near Mt Fuji.

Kikkoman began production of soy sauce and other sauces in the US in 1973, with the aim of increasing its market share there, but also of convincing consumers in Japan that the products had international credibility and were suitable for use on their growing intake of Western foods.

Concern about the longer term also characterises the Del Monte deal, which the Kikkoman spokesman said had been negotiated over "many months. "We both thought that we needed each other," he said.

While Kikkoman had basically resolved its participation, full details of the deal were not likely to be released for about three months as the other parties were yet to settle their shares.

Hopewell raises profits by 10%

By Michael Marray in Hong Kong

HONG KONG-listed Hopewell Holdings, controlled by flamboyant entrepreneur Mr Gordon Wu and with large infrastructure projects underway in southern China, yesterday reported a 10 per cent increase in profits for the year ended June 30. It also said it intended to press ahead with the construction of a super highway and a power station in China, despite the recent political turmoil.

In May, Hopewell was forced to cancel a HK$3.86bn (US$494.6m) rights issue when the Hong Kong stock market got the jitters in the wake of the martial law declaration in Peking. This cast a shadow over Mr Wu's multi-billion dollar super highway, phase one of which will link Hong Kong and the nearby city of Guangzhou (Canton).

However, a company statement yesterday said that, despite the rights issue cancellation, the group's financial position remained strong, and that work on phase one was proceeding satisfactorily.

The Chinese authorities had reaffirmed their support for the project.

In addition, negotiations were also at an advanced stage for the conclusion of a joint venture with the Guangdong General Power Company for the Shajiao C power station, comprising two 660-MW coal-fired power plants, adding to the power stations that Hope well already operates in Guangdong province.

In the Philippines, work had commenced on the 200-MW gas turbine power station in Manila on a "build-operate-transfer" arrangement with the Philippines National Power Corporation.

Hang Lung full-year figures up 25%

By Michael Marray

HANG LUNG Development, the Hong Kong property development group, has reported a 25 per cent increase in net profits to HK$939.4m (US$120.4m) for the year ended June.

The company, which late last year spun off its hotel and property investment units into separately-listed subsidiaries, said conditions in the property market were buoyant during the year and sales of both luxury and medium-sized apartments went well. Joint ventures to develop sites above mass transit railway stations were also completed.

Amoy Properties, Hang Lung's newly-formed property investment subsidiary, reported a 35 per cent increase in net profits to HK$474.1m. With assets valued at HK$10bn, it is one of the colony's largest property investment companies.

In March, Amoy paid HK$1.6bn for a large portfolio of commercial space in the Causeway Bay shopping and restaurant district, boosting its investment income. Mr Thomas Chen, chairman of Hang Lung, said that though real estate had been affected by the crisis in China, the average rental yield of the group's properties was still substantially lower than current market rates, which promised a satisfactory income increase from rent reversions over the next two years.

Grand Hotel Holdings, the hotel subsidiary, yesterday also revealed net profits of HK$97.6m for the year to June.

Jardine Strategic moves ahead by 35%

JARDINE STRATEGIC Holdings, the Bermuda-based holding company which owns stakes in Jardine Matheson, Dairy Farm, Hongkong Land and Mandarin Oriental International, yesterday reported profits after tax and minorities of HK$507m (US$65m) for the six months to June, writes Michael Marray. This represented an increase of 35 per cent over last year's period.

Extraordinary items amounted to HK$19m, compared with HK$9m in the first half of 1988, bringing attributable profits to HK$526m, of which HK$88m was paid out in dividends to holders of convertible preference shares.

An interim dividend of 9 cents per ordinary share has been declared, up from 7 cents at the interim stage last year.

In April, the company completed the issue of a further 200,000 convertible preference shares, raising around US$185m, while in May Hongkong Land paid out a special HK$2-a-share dividend to shareholders, raising some HK$1.7bn for Jardine Strategic.

Mr Henry Keswick, chairman of Jardine Strategic, said these funds had been used to reduce borrowings and finance share purchases.

McConnell Dowell turns round loss

By Terry Hall in Wellington

MCCONNELL DOWELL, the Australian construction group, staged a substantial recovery in the year ended June 30, posting net profits of A$2.84m (US$2.24m) after extraordinary items.

This compares with a 1987/1988 loss of A$265.5m incurred by the former New Zealand company, which was one of the main casualties of the share market crash.

At the half-year, Mr Doug Lowrey, chief executive, predicted it would have an operating profit for the full year. However, an unexpectedly high tax bill ruled this out.

Mr Lowrey said the critical aspects of the company's recovery plan had been the reduction of debt, from a peak of A$340m in January last year to A$124m at the latest balance date. The reduction had slashed interest costs from A$40.2m last year to A$18.5m and net interest expenses were now running at an annualised rate of about A$10m.

Turnover for the year improved to A$639m from A$452.5m in 1988. Construction turnover totalled A$415m, with A$477m worth of forward work, 60 per cent more than last year.

INTERNATIONAL CAPITAL MARKETS

Second DSM issue meets 'overpowering' demand

By Laura Raun in Amsterdam

DUTCH AND foreign investors yesterday snapped up 12m shares of DSM at Fl 125 ($58.69) each as the second privatisation tranche of the big Dutch chemicals company made its way on to the stock market.

Amsterdam-Rotterdam Bank, global co-ordinator of the international issue, said it was amply oversubscribed on demand which the bank described as "overpowering."

The issue price implies a price-earnings ratio for DSM of 4.3. This assumes 1989 net income of Fl 29 a share, based on the average of local analysts' estimates.

Private investors will receive preferential treatment in the allocation, which takes place on Friday. The issue price was at the low end of market forecasts, which had ranged from Fl 125 to Fl 127. The price eventually struck was designed to overcome concern in financial markets that DSM, and the chemical industry in general, offers limited growth potential and is vulnerable to environmental measures.

An initial 12m shares of DSM were privatised last January and have traded between a low of Fl 115.60 and a high of Fl 142.50. DSM shares closed yesterday at Fl 127.

The shares currently on offer represent 34.2 per cent of DSM's outstanding capital. The remaining 31.3 per cent will stay in Dutch government hands for the time being.

DSM is the second largest chemical company in the Netherlands after the Akzo group, and number 16 in the world in terms of sales. Its two largest customers are the automotive and construction industries.

Organic chemical products and plastics together generate by far the greater part of group turnover and profits. More than 25 per cent of operating income comes from fertilisers, plastic products and resins.

Niscorp profitable in first year

By Hunter Reynolds in Dubai

THE UAE's first fully-fledged independent investment house, National Investment and Securities Corporation (Niscorp) has announced profits of 5.7m dirhams ($1.55m) in its first 15-month year of operation. The company's assets at the end of the period totalled 168m dirham ($46m).

Niscorp was founded in March 1988 by 33 prominent local investors in Abu Dhabi, with a paid-up capital of $11m. It started full operations three months later. Since it was set up, the company has specialised in brokerage and investment services for local institutions and individual investors.

This year, the Abu Dhabi-based company introduced a Far East pool account and a local share pool account. Managed assets under these two accounts currently total $5.5m.

On September 18, it launched the UAE's first currency fund, which Niscorp is aiming at small investors. Next month, Niscorp will launch the Gulf's first international real estate fund, which will invest in property in Europe, the US and the UAE.

The fund is unique in that it will allow foreigners to invest indirectly in the booming UAE real estate market. Under UAE law, foreigners cannot own property directly.

Commenting on the results, Mr Abdul Jabber Al Sayegh, Niscorp's chief executive officer, said: "Our corporate mission of catering to the smaller investor is obviously paying off, when considering the bottom-line figures." The company says it will carry on with a carefully-planned expansion and will introduce new products and services to the UAE's fledgling financial market.

Bristol & West appoints treasurer, 26

By David Barchard

BRISTOL & WEST, the tenth largest UK building society, has appointed Mr Mark Abbott, at present assistant director in the corporate finance Division of UBS Phillips & Drew, to be its treasurer.

At 26, Mr Abbott is believed to be the youngest treasurer of a big UK financial institution. His appointment is part of a shake-up in the society, under way since the appointment of Mr Tony Fitzsimmonds, formerly of Citibank, as chief executive last January.

Mr Abbott specialises in swaps and Eurobond issues. Last year Bristol & West was the only UK building society in the top 15 to make a profit on its sales of investments and a surplus on its end-year valuation of listed securities.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on September 26

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
B.F.C.E. 8⅞ 94	175	97⅝	98⅛	-0¼	-1⅛	8.92
B.F.C.E. 9¼ 95	150	101¼	101¾	-0¼	-1⅛	8.91
Brit. Tel. Fin. 9¾ 98	250	102⅝	103	-0⅛	-1¼	8.93
Canada 9 96	1000	101½	102	-0⅜	-1⅜	8.61
Canadian Pac 10¼ 93	100	*102½	102¾	0	0	9.88
C.C.C.E 9¼ 95	300	101	101½	-0⅜	-1⅛	8.93
C.N.C.A 9¾ 93	150	†100¾	100⅞	-0⅛	-1	6.19
Credit National 8¼ 93	200	†97¾	98¼	-0⅛	-0⅝	8.86
Credit National 7⅞ 92	100	96¼	96¾	-0⅛	-0⅜	8.92
Credit National 9½ 92	160	†100¾	101¼	-0⅜	-0⅜	9.10
Dai-Ichi Kan 9⅞ 92	150	101¼	101¾	-0⅛	-0⅜	9.03
Denmark 7⅞ 92	500	95⅝	96⅛	0	-0½	9.05
E.E.C. 7 91	100	96⅛	96⅝	-0⅛	-0⅛	8.87
E.E.C. 7¼ 93	250	†94⅞	95⅜	-0⅛	-0⅞	8.93
E.E.C. 10 93	140	*†103⅛	103½	0	-0⅜	8.85
Eurofima 10⅛ 93	100	*†103⅝	104	0	-0⅞	8.79
Elec. De France 9 98	200	100⅞	101⅛	-0⅛	-1	8.83
Elec. De France 9½ 99	200	†103⅞	103¾	-0⅜	-1⅜	8.96
Finland 9 96	250	†100	100½	-0⅛	-1¼	8.93
Finn. Exp. Cd. 8½ 92	200	98⅞	99⅛	-0⅛	-0⅜	8.93
Finn. Exp. Cd. 9¾ 95	200	†101⅞	102⅛	+0⅜	-0⅛	8.93
Finn. Exp. Cred. 10⅝ 93	100	†101⅛	101⅝	-0⅛	-0⅛	9.46
Ford Motor Credit 8 91	250	†98	98½	-0⅛	-0⅛	9.25
Gen. Elec. Cap. Corp. 9 93	500	†99¾	100¼	-0⅛	-1⅛	8.98
Gen. Elec. Cap. Crp. 10 1/2 91	300	†101½	102	-0⅜	-0½	9.18
G.M.A.C. 9 96	300	98⅞	99⅜	-0⅛	-1⅛	9.19
Gen. Mtrs. Corp. 9⅛ 92	200	100⅛	100⅝	0	-0⅜	8.94
IBM Credit Corp. 8⅞ 91	250	99⅞	100⅜	0	-0⅜	8.86
IBM Credit Corp. 9 92	250	100⅞	101⅛	-0⅛	-0⅛	8.56
IBM Credit Corp. 9½ 92	250	100⅞	101⅜	-0⅛	-0⅛	8.91
IBM Credit Corp. 10 92	200	102⅞	102¾	-0⅛	-0½	8.79
Italy 9½ 95	1000	102⅞	102⅝	-0⅛	-1⅛	8.94
Italy 9⅝ 99	1000	103⅝	103⅞	-0⅛	-1⅜	9.00
Rob C. W/W 4⅞ 94	1000	99⅞	100⅞	+0⅜	+1⅛	4.53
Japan Dev. Bank 10 96	200	104⅝	105⅛	-0⅛	-1⅛	8.97
L.T.C.B. of Japan 9¼ 92	200	100¼	100¾	0	-0⅜	9.04
Metropolis Tokyo 9½ 93	200	101½	102⅛	0	-0½	8.83
Nippon Tel. & Tel. 9⅞ 98	250	102⅛	102⅝	-0⅛	-1⅛	8.95
Norway 8⅞ 93	500	99⅞	100⅜	-0⅛	-0⅜	8.72
Portugal 8⅞ 91	300	†98	98½	0	-0⅜	9.49
Prudential Crp. 8⅞ 94	125	99⅜	99⅞	0	-0⅜	8.87
Sumitomo Bank 9⅝ 92	150	†101⅞	101⅞	-0⅛	-0⅜	8.98
Sumitomo Corp. W/W 4 93	1500	109⅝	110⅝	+1⅛	+1⅜	1.29
Sweden 8⅞ 96	200	99⅜	99⅞	-0⅛	-1⅛	8.81
Sweden 8½ 92	200	†98⅛	98⅝	-0⅛	-0⅞	9.15
Toyota 9½ 91	200	101	101½	0	-0⅜	8.82
Toyota Mtr. Corp. W/W 4 93	1500	103	104	+0⅜	+0⅜	2.98
Victorian Rep 11⅛ 92	150	†104⅞	105⅜	-0⅛	-0⅜	9.26
World Bank 7 92	500	†96	96½	0	-0⅛	8.81
World Bank 9 97	300	100⅝	101⅛	-0⅜	-1⅛	8.83
World Bank 9 93	300	†100⅛	100⅝	-0⅜	-1	8.86
World Bank 9⅞ 98	300	102⅞	102½	-0⅛	-1⅛	8.85
World Bank 9⅞ 99	500	104½	104⅞	-0⅛	-1	8.86
World Bank 9¾ 96	300	†103⅞	104⅛	-0⅛	-1	8.90

Average price change... On day 0 on week -0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 6 94	200	94⅛	94⅞	-0⅛	-0⅛	7.29
Austria 6¼ 99	750	97¼	97⅝	-0⅜	-0⅛	7.11
Bk. Frgn. Econ. USSR 7 96	750	†95	93⅜	-0½	-0⅜	7.93
Bank of Tokyo 5¾ 93	100	†95½	96	0	-0¼	7.18
Commerzbank o/s. 5⅜ 93	300	†94½	95	0	-0¼	7.21
Credit Foncier 6¾ 99	500	97¼	97⅝	-0⅝	-0¼	8.16
E.I.B. 6¼ 99	600	93½	94	-0⅜	-0¼	7.18
E.I.B. 6½ 99	300	95¼	95¾	-0⅜	-0⅛	7.18
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change... On day -0⅛ on week -0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change... On day +0 on week -0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	100¾	101	0	0	5.43
Canada 5⅝ 93	80	100¼	100⅞	-0⅛	+0⅛	5.40
Eurofima 5 1995	20	97⅝	98	-0⅛	+0⅛	5.47
E.I.B. 4⅞ 93	30	98⅛	98⅝	0	+0⅛	5.44
Ireland 5⅛ 93	30	98⅞	99⅛	0	+0⅛	5.47
Norway 5⅛ 95	50	98⅞	99⅛	0	+0⅛	5.33
Sweden 4⅝ 93	50	97⅛	97⅝	0	+0⅛	5.47
World Bank 5⅛ 98	10	98	98½	0	+0⅜	5.38
World Bank 7 94	20	106	106½	0	+0⅛	5.41

Average price change... On day 0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10¼ 94 C$	150	96¾	97¼	-0½	-1¼	11.06
Abbey Nat. 11¾ 93 £	100	†97½	98	-0½	-0⅜	12.18
Aegon 7¾ 92 Fl	100	100¾	101¼	-0¼	-0¼	7.82
Alg. Bk. Ned. 5¾ 93 Fl	200	94⅞	95¼	+0¼	-0¼	7.38
Austria 7½ 94 ECU	100	95¾	96⅜	-0⅛	+0¼	8.59
Bk. Nova Scot. 14⅞ 90 A$	75	†96¼	97⅜	+0¼	+0⅛	17.43
Barclays Aus. 13½ 91 A$	100	95¼	95½	-0¼	-0¼	16.38
Belgium 8⅛ 94 Ecu	150	97⅞	98⅝	-0⅛	+0⅜	8.63
BP Capital 9¾ 93 £	100	93¾	93¾	-0½	-0½	12.06
British Airways 10 98 £	100	90	90¼	-1¼	-1⅛	11.89
Brit. Telecom 9½ 93 £	150	93⅛	93½	-0½	-0½	11.95
Comm. Bk. Aust. 12⅝ 93 A$	100	†93	93½	-0⅛	-0½	15.08
Comm. Bk. Aus. 13¾ 94 NZ$	60	103½	104	0	+0¼	12.66
Credit Foncier 9 96 Ecu	100	101	101½	-0¼	+0⅛	8.73
Cr Local France 9¼ 92 Ecu	100	101¾	102¼	-0¼	+0⅜	8.36
Deut. Bk. Aus. 13⅞ 93 A$	125	96¾	97¼	-0⅜	-0¼	14.33
Deutsche Bk. Fin. 15 94 A$	100	101	101½	0	-0⅛	14.53
E.I.B. 7 96 LFr	100	†96½	97½	-0½	-0½	7.60
E.I.B. 9 99 Ecu	150	102⅛	102½	+0¼	+0½	8.63
Eurofima 7⅞ 94 Ecu	100	96⅝	97⅛	-0⅛	+0⅛	8.50
Export Dv. Crp. 8¾ 92 Ecu	100	100⅛	100⅞	-0⅜	0	8.43
Fed. Bus. Dv. Bk. 9 94 Ecu	100	100¼	100¾	-0¼	-0¼	8.85
Fed. Bus. Dv. Bk. 9¾ 92 C$	75	†97½	98	+0⅜	-0⅜	10.71
Fed. Bus. Dv. Bk. 10½ 93 C$	50	†98⅝	99⅛	-0¼	-1	10.85
Ferrv. Stato 7¼ 93 Ecu	100	96½	97	-0¼	+0¼	8.80
Ford Cr. Can. 10¼ 93 C$	100	†98¾	99⅜	-0½	-0⅞	11.02
Ford Cred. Can. 10⅞ 96 C$	125	100	100⅝	-0½	-1⅜	10.82
Ford Cred. Fund. 10¼ 93 £	60	95¼	96¼	-0¼	-0¼	12.05
G.M.A.C. Canada 11 3/4 94 C$	100	102⅛	102⅝	-0½	-1¼	11.02
Heineken 7⅝ 94 FL	150	102¼	102¾	0	0	7.57
Hydro-Quebec 11 99 C$	400	101½	101¾	-0¼	-1⅞	10.69
I.A.D.B. 7¼ 99 FL	200	†98⅛	98⅝	-0⅛	-0⅛	7.49
Lloyds Bank 10¼ 98 £	150	91½	92¼	-0¼	-0⅞	11.82
Lloyds Bank 11¼ 98 £	100	94½	95⅛	-1¼	-1¼	12.31
Montreal Tst. 10¾ 93 C$	100	†98⅝	98⅞	-0¼	-1	11.18
Nat. Aus. Bk. 14¼ 94 A$	100	98⅝	99¼	-0¼	-0¼	15.04
New Zealand 9½ 93 £	100	92	92⅝	-0¼	-0⅛	12.30
O.E.K.B. 10¼ 99 C$	150	†98⅜	98⅞	-0¼	-1¼	10.47
Privatbanken 7½ 94 LFr	500	†97¾	98¼	+0¼	-0¼	7.96
Royal Bk. Scot. 10¾ 98 £	125	†93⅝	94¼	-0¼	-0¼	11.83
Saskatchewan 9¾ 91 C$	150	†97⅝	98⅛	+0½	-0¼	11.18
Saskatchewan 10¼ 93 C$	200	98⅜	98⅞	-0¼	-0⅞	10.66
State Bk. NSW. 13⅞ 93 A$	100	95⅛	96	0	0	15.31
Sweden 7½ 93 Ecu	250	96¼	96¾	-0⅛	+0¼	8.53
Sweden 15 94 A$	100	102	102½	0	+0¼	14.21
Toyota Mtr. Cr. 11¼ 92 C$	150	100¼	101⅛	0	-0¼	10.86
World Bank 13¼ 92 A$	100	98⅝	99¼	0	0	13.83
World Bank 14¼ 94 A$	75	99¼	99¾	0	-0½	14.37
Zentrspk. 13¼ 93 A$	75	†95¾	96¼	0	+0⅛	14.64

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.98	100.03	24/10	14.08
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change... On day -0.03 on week -0.07

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available–previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

US issues record $187bn in bonds

A RECORD $187.1bn in debt securities was issued to the US public in the first nine months of this year while the volume of share issues fell steeply, AP-DJ reports.

According to a survey by Securities Data covering the period from January 1 to September 20, the volume of Treasury bonds and other debt securities issued jumped to $187.1bn from $181.4bn in the same period last year, surpassing the previous (1987) nine-month record of $184.2bn.

While the total volume of bonds issued expanded, "junk" bonds fared poorly. Securities Data blamed the recent shake-out in the junk bond market for the smallest number of the high-risk, high-yield bonds being issued since 1984.

Against 115 last year, 95 junk bond offerings were made during the nine months. Although the total volume of junk bonds offered was little changed at $19.28bn compared with $19.36bn in 1988, some $4bn of this year's volume was accounted for by the leveraged buy-out of RJR Nabisco.

New issues of shares were lacklustre. Common stock issued raised only $13.5bn, down from $23.8bn in the first nine months of 1988.

Merrill Lynch continued to be the leading manager of new bond and stock issues with 17 per cent of the market, according to Securities Data.

Handelsbanken lifts operating profit by 8%

By John Burton in Stockholm

SVENSKA Handelsbanken, Sweden's second largest commercial bank, reported an 8 per cent rise in group operating profits to SKr2.58bn ($400m) during the first eight months of 1989, while total income climbed 9 per cent to SKr5.17bn.

Profits from mainstream banking operations improved by 8 per cent to SKr2.24bn. Total income also rose 8 per cent to SKr4.3bn.

Interest income for the group increased 10 per cent to SKr3.73bn because of higher interest rates. The bank benefited from increased margins between borrowing and deposit rates, although higher financing costs caused by rising short-term interest rates reduced income from its bond portfolio.

Other income, including commissions and bond sales, rose 5 per cent to SKr1.48bn, with profits from bonds weaker than last year. Total costs rose 9 per cent to SKr2.59bn.

The bank reported that growth in household borrowing had slowed, although mortgage lending continued to increase at a fast pace. Total lending volume increased 35 per cent.

The growth of deposits by households was 12 per cent compared with 6 per cent a year ago. But corporate deposits decreased with companies diverting funds to the money market. Total deposits rose only 1 per cent.

INTERNATIONAL CAPITAL MARKETS

Kansai Airport makes $150m debut issue

By Andrew Freeman

MOST INVESTORS and borrowers on the Eurobond market spent yesterday in quiet introspection, assessing the next likely move in the US dollar and proving reluctant to commit themselves.

IBJ International was the lead manager of a successful

INTERNATIONAL BONDS

$150m debut issue for Kansai International Airport (KIA), the company created in 1984 to administer the construction of Japan's first 24-hour airport on a man-made island in Osaka Bay. The airport is scheduled to open in 1993.

The seven-year bonds carried the guarantee of the Japanese Government and a 8 per cent coupon. They were priced at 101⅝ to yield 57½ basis points over the equivalent US Treasury.

Dealers said there was immediate demand for the paper and they had little trouble placing their allocations. IBJ opened the bonds inside fees at less 1.65 bid, and the price continued to rise up to less 1.40 bid, before levelling off at less 1.45 bid. The spread against Treasuries narrowed sharply to around 49 basis points.

IBJ invited a large syndicate into what it described as a maiden deal designed to leave something on the table for investors and underwriters. Proceeds were swapped into fixed-rate yen. KIA has overall funding requirements of $7.6bn, and is expected to return to the Euromarket for some of its future borrowings.

The recent World Bank $1.5bn global bond issue continued to trade strongly, its spread against Treasuries reaching as low as 25 basis points against a falling market.

The Kingdom of Denmark became the first sovereign borrower to tap the growing Euro-Lire sector when it launched a L150bn four-year deal via San Paolo Bank. The bonds were offered with a 12⅜ per cent coupon and were priced at 101⅝ to yield around 12.40 per cent at less full fees.

Dealers reported a slowish start, but said demand picked up as the day wore on as retail investors realised the bonds were good value.

By the close of trading in London, the paper was quoted at less 1¼ bid, comfortably inside underwriting fees. Proceeds were swapped, but neither San Paolo nor Paribas which transacted the swap, would elaborate.

The issue will be listed in Luxembourg and Copenhagen, becoming the first such deal to be quoted in Copenhagen where Baltica Securities will act as market-maker. Observers pointed out that the borrower appeared to have distanced itself slightly from the group of three Danish banks which normally advises it on its deals.

Credit Suisse First Boston was the lead manager of a £150m 10-year floating-rate note issue for the Bradford & Bingley Building Society. The bonds yield 1/16 point over three-month Libor, a margin which several traders reported as very tight. CSFB was bidding for the bonds on fees at 99.85.

In Switzerland, two small convertible private placements had good receptions. Banque Paribas was quoting the Teraoka-Seisakusho at a two point premium to the par issue price, while Swiss Bank Corporation was bidding its Funai Research issue at a similar premium.

In Germany, the market lacked direction, but was reported by traders as basically weak, with investors worried about rising interest rates. A DM200m ten-year deal with equity warrants for BHF Finance (Netherlands) had an average reception and was trading around fees at less 2½ bid.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Koa Fire & Marine Ins.‡	250	(4⅞)	100	1993	1½/¾	Nomura Int
Hitachi Maxell‡	60	(4⅝)	100	1993	1½/¾	Nikko Secs (Europe)
Kansai Int. Airport♦	150	8	101⅝	1996	1¼/⅝	IBJ Int.
SWISS FRANCS						
Teraoka Seisakusho§‡‡(a)	50	¾	100	1994	1½	Banque Paribas(Suisse)
Funai Research & Dev.§‡‡	25	(⅞)	100	1993	n/a	SBC
D- MARKS						
BHF Fin.(Netherlands)BV‡♦	200	7⅛	122	1999	1½/1	BHF Bank
STERLING						
Bradford & Bingley†♦(c)	150	(b)	100	1999	15bp	CSFB
LIRE						
Kingdom of Denmark♦	150bn	12⅜	101⅝	1993	1⅛/½	Ist.Bk.San Paolo Torino

‡With equity warrants. ‡‡Private placement. §Convertible. ♦Final terms. a)Put option on March 31 1992 at 103⅞% to yield 3.529%. b)1/16% over 3 month Libor. c)Further £50m on tap from Jan'90 to Jan'91.

The Last Emperor's recipe for packaging film finance

Rachel Johnson on the big screen's latest backer

Read the book, seen the film, bought the poster and the T-shirt? So why not finance the film?

Banks, traditionally, rate films as risky business, and the industry's reputation does little to help. Creative and exciting it might be, but its financial footing is in quicksand.

Investors have no opportunity to see the product, or test it in the marketplace, until it is too late. Banking principles militate against film finance: banks have to use "due diligence" to identify repayment sources for their loans, and, unfortunately, estimated box office receipts are just that – estimates.

The film industry's expensive disasters tend to grab the headlines, too: a single film can sink a studio or production company, like Michael Cimino's Heaven's Gate with a budgeted cost of $40m, or Goldcrest's Revolution at £19m ($30.5m).

Into this business maelstrom comes a new company prepared to take up a lone midway position between the suspicious financial community and eager producers. The company is Quick and Hamon and its aim is not to maximise profits, but to minimise risk in the financing of medium-budget films.

Behind last week's formation of Quick and Hamon lies The Last Emperor, the film about the Chinese child-emperor Pu Yi. In 1984, Hill Samuel – the merchant bank now a part of the TSB – raised a $25m funding package for the film. In 1988, the film went on to pick up nine Oscars and countless plaudits, introducing a level of respectability for film finance on the way. The Last Emperor's success showed that the rewards could match the risks.

Martine Hamon: financing films with minimal risk

A syndicate – Creditanstalt of Vienna, Pierson, Heldring & Pierson of Amsterdam, Standard Chartered of the UK, and Götabanken of Sweden – put up the finance and got a cut of box office proceeds. Hill Samuel, lead bank in the syndicate, earned fees for arranging it and handling the lawyers.

It was Mr Brian Quick and Ms Martine Hamon who set up the deal for Hill Samuel. They have now gone on to hoped-for stardom of their own, believing the formula they used with The Last Emperor to be a winner.

They have raised equity and loan finance to organise (and sometimes participate in) the financing of film acquisition, production and development. Their approach is unique. Banks will lend money not to producers, risking quicksand, but to Mr Quick and Ms Hamon, who together have 50 years of banking experience behind them.

"The banks will be taking a risk on us, not producers. We finance the film, charge fees, and earn a small share of the proceeds from each film. We are not investors, but lenders, a small capital base with a huge borrowing potential," says Mr Quick.

Their company has the support of powerful shareholders. Crédit Agricole and Security Pacific have both taken minority positions in Quick and Hamon. It is hoped that careful scrutiny of proposed films' budgets with accountants, and innovative insurance facilities, to "shift the risk from the bank to the insurers" will keep the shareholders happy.

However, the Quick and Hamon approach has its detractors. The economic fundamentals are not on their side, says Mr Peter Hillier, a leisure industry analyst at Barclays de Zoete Wedd. Insurance reduces risks, but also dilutes returns. High interest rates, and the "unbelievable sums" involved, mean investors could see their "money turn to light."

Yet film financiers do have the health of the industry on their side. "It is a multi-billion dollar industry with a terrific demand for product," says Mr Quick. Screen Digest, a trade magazine predicts audience admissions will reach 98m this year, a 20 per cent increase on 1985.

Proposed deregulation of television broadcasting in 1991-1992 – when new franchises are to be awarded under competitive tendering – could also drive independent producers their way. The independents will need to find the money to produce the required 25 per cent of franchise-holders' schedules.

But no porn or excessive violence will be on the books. "Not Rambos but Emperors," says Mr Quick. A by-product of only "extolling the good" could be turning down the blockbusters of the future.

Mixed economic signals lead to narrow US trading

By Karen Zagor in New York and Rachel Johnson in London

US TREASURIES were narrowly mixed yesterday afternoon, registering small losses at the short end of the yield curve and slim gains at the long end.

The bellwether 30-year bond was quoted 1/16 point higher at 98¼, yielding 8.28 per cent. The

GOVERNMENT BONDS

short end was softer ahead of the afternoon's influx of new notes. At mid-session, the two-year issue was down ⅛ at 99⅝, yielding 8.44 per cent.

The Federal Reserve did not intervene in the open market and Fed funds traded at 9⅛ per cent.

The dollar came under renewed pressure from central banks. There were reports of four rounds of intervention from New York and from several European central banks during morning trading.

At mid-day in New York the dollar was changing hands at Y141.85 and DM1.8880, down from Y142.30 and DM1.9025 late on Monday in New York.

The August durable goods orders contained mixed news for the debt market. The unexpectedly sharp rise in August's durable goods orders, which were up 3.8 per cent, compared with a decline of 2.5 per cent in July, indicated that the manufacturing sector was showing far more resilience than expected.

However, the market was more encouraged by new orders for non-defence capital goods, which is considered a good indicator of industry's future plant and equipment spending. This plunged 9.8 per cent in August after jumping 5.9 per cent in July.

■ THE UNEXPECTEDLY bad trade figures for August – £500m higher than market expectations – had a sharp impact on prices in the UK government bond market yesterday.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	105-00	-25/32	11.47	11.13	10.72
		9.750	1/98	95-22	-29/32	10.54	10.36	10.04
		9.000	10/08	95-06	-32/32	9.55	9.43	9.22
US TREASURY *		8.000	8/99	97-24	-3/32	8.34	8.06	8.22
		8.125	8/19	98-04	-2/32	8.29	8.08	8.18
JAPAN	No 111	4.600	6/98	96.4832	-0.116	5.18	5.26	5.07
	No 2	5.700	3/07	105.7416	-0.197	5.08	5.17	4.99
GERMANY		6.750	6/99	98.4000	-0.450	6.98	6.90	6.78
FRANCE	BTAN	8.000	7/94	96.1640	-0.201	9.00	8.90	8.80
	OAT	8.125	5/99	96.1900	-0.280	8.71	8.58	8.40
CANADA *		9.500	10/99	98.1750	-0.575	9.81	9.52	9.44
NETHERLANDS		7.250	7/99	99.7250	-0.550	7.29	7.24	7.12
AUSTRALIA		12.000	7/99	92.3327	+0.305	13.42	13.23	13.11

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

The benchmark 11¾ issue due 2003/07 was down a point, while other long maturities dropped even more. In the short and medium ranges, there were average falls of about ⅞, with a net result of a point fall over the day.

"There was a lot of shouting, but not much trading," one trader said. The gilt market continued to suffer from a nervousness that poor economic indicators would force the Chancellor to raise interest rates. "Though the market initially wouldn't like it, it would clear the air," he said.

■ A VERY weak day was also had in the German government bond market, as investors speculated about interest rates. Bunds with 10-year maturities were around 50 pfennigs lower than Monday's levels, while futures also opened weaker and traded about 20 pfennigs lower during the day.

"There were some day traders taking advantage of the selling on the short side, and closing positions," said one trader.

This caused a momentary lift in prices towards the end of the day. Otherwise, the strength of the D-Mark against the dollar, reaching a high of 1.89, was the only bright spot in a "negative" market.

While investors have fully discounted the possibility of a rise in interest rates of 50 basis points issuing from the Bundesbank's next meeting, talk of a full percentage point increase kept trading volumes light.

Swiss bonds to go electronic in 1991

A FULLY electronic Swiss bond trading system should begin operating in summer 1991 provided stock exchange members and cantonal authorities give approval, Reuter reports.

Switzerland's biggest stock exchanges in Zurich, Geneva and Basle want trading in straight bonds to be moved to a computer system, to create more floor space for "open cry" share trading, which will continue in its present form for the next few years.

Mr Gian Pietro Rossetti, chairman of Association Tripartite Bourses (ATB), said his organisation, which co-ordinates the three exchanges, favoured the Electronic Bourse System (EBS) at a cost of SFr34.9m.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Sep 26 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Mon Sep 25 Index No.	Fri Sep 22 Index No.	Thu Sep 21 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (208)	973.24	-1.3	11.27	4.29	10.86	24.39	986.14	987.58	989.76	782.46
2	Building Materials (29)	1173.23	-1.6	12.94	4.65	9.66	29.34	1192.03	1196.43	1194.58	971.61
3	Contracting, Construction (37)	1580.36	-0.9	15.37	4.77	8.49	41.25	1594.98	1594.59	1600.13	1541.19
4	Electricals (9)	2864.51	-1.0	8.78	4.16	14.19	55.83	2895.47	2914.35	2920.08	2164.99
5	Electronics (30)	2132.56	-1.7	9.09	3.44	14.19	40.92	2169.39	2158.84	2179.57	1690.55
6	Mechanical Engineering (56)	531.16	-1.1	10.47	4.25	11.66	12.43	537.32	538.50	538.18	408.31
8	Metals and Metal Forming (6)	511.73	-0.5	20.09	5.94	5.49	15.15	514.05	520.16	522.28	481.91
9	Motors (18)	373.28	-1.2	9.85	4.17	11.80	9.64	377.85	378.65	373.47	274.54
10	Other Industrial Materials (23)	1772.70	-1.4	9.28	4.23	12.71	50.40	1797.52	1799.21	1813.31	1336.19
21	CONSUMER GROUP (184)	1347.54	-0.9	8.19	3.25	15.33	23.49	1360.29	1367.34	1374.15	1050.04
22	Brewers and Distillers (22)	1481.17	-1.1	8.97	3.30	13.95	25.65	1498.27	1510.42	1515.06	1116.61
25	Food Manufacturing (20)	1179.90	-0.7	8.69	3.60	14.30	23.30	1187.84	1191.99	1195.80	946.24
26	Food Retailing (14)	2619.84	-0.7	7.70	2.64	17.00	38.73	2637.24	2643.37	2651.58	1846.44
27	Health and Household (14)	2555.34	-1.2	6.05	1.86	19.49	22.32	2585.37	2608.28	2614.84	1862.30
29	Leisure (34)	1782.64	-0.9	7.29	3.17	16.93	32.46	1798.37	1803.61	1810.03	1335.06
31	Packaging & Paper (15)	604.74	-0.5	10.31	4.30	12.05	15.78	608.05	605.54	602.67	514.27
32	Publishing & Printing (19)	3794.28	-0.9	8.42	4.45	15.28	98.58	3838.46	3825.43	3834.34	3297.70
34	Stores (32)	856.55	-1.0	10.06	4.31	12.98	18.54	864.84	870.31	884.00	743.53
35	Textiles (14)	574.31	-0.7	10.38	5.10	11.52	15.40	577.98	582.17	586.98	497.36
40	OTHER GROUPS (93)	1195.55	-1.2	9.82	4.05	12.34	25.42	1210.07	1211.56	1215.13	886.35
41	Agencies (17)	1556.86	-0.5	6.86	2.27	18.01	23.12	1564.79	1573.19	1578.81	1037.82
42	Chemicals (22)	1302.14	-1.7	11.42	4.80	10.33	41.28	1324.76	1333.28	1333.16	1038.46
43	Conglomerates (13)	1698.95	-1.0	10.13	4.83	11.62	28.94	1706.76	1726.44	1733.51	1212.86
45	Transport (13)	2393.27	-1.3	9.25	3.90	13.85	44.09	2424.23	2435.47	2437.19	1885.46
47	Telephone Networks (2)	1169.76	-2.1	10.46	4.24	12.46	22.38	1195.04	1178.34	1188.41	945.40
48	Miscellaneous (26)	1945.87		8.94	3.28	12.62	44.32	1946.10	1951.08	1965.85	1192.15
49	INDUSTRIAL GROUP (485)	1224.45	-1.1	9.45	3.75	13.03	25.13	1238.18	1242.00	1246.58	948.96
51	Oil & Gas (15)	2285.56	-0.5	9.82	5.13	13.45	86.44	2216.14	2235.13	2246.23	1763.53
59	500 SHARE INDEX (500)	1307.74	-1.0	9.50	3.93	13.09	30.18	1321.30	1326.32	1331.43	1018.06
61	FINANCIAL GROUP (121)	807.30	-0.5	–	5.15	–	26.30	811.34	814.14	815.61	679.96
62	Banks (9)	826.43	-0.9	20.87	6.04	6.30	34.80	834.25	838.48	837.02	663.87
65	Insurance (Life) (8)	1207.78		–	5.23	–	45.37	1207.60	1209.00	1213.02	997.20
66	Insurance (Composite) (7)	658.78	+0.3	–	5.74	–	24.09	656.81	660.92	670.42	535.76
67	Insurance (Brokers) (7)	981.46	-0.2	7.67	6.33	17.40	44.55	983.14	995.05	987.20	928.22
68	Merchant Banks (10)	396.93	-1.5	–	4.07	–	9.45	402.94	404.40	402.83	325.00
69	Property (49)	1334.93	-0.4	6.59	3.02	19.35	19.81	1342.96	1344.11	1345.06	1176.02
70	Other Financial (31)	365.76	-0.5	10.92	6.05	11.78	10.74	367.60	366.25	366.33	358.84
71	Investment Trusts (69)	1262.55	-0.5	–	2.68	–	19.44	1268.95	1271.51	1271.96	987.40
81	Mining Finance (1)	722.39	-0.7	10.54	3.73	10.66	22.25	727.53	737.79	741.64	577.59
91	Overseas Traders (8)	1427.70	-2.0	9.57	5.47	11.97	43.67	1457.45	1467.72	1461.21	1203.53
99	ALL-SHARE INDEX (699)	1186.44	-0.9	–	4.09	–	28.93	1197.67	1202.28	1206.32	934.21

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 25	Sep 22	Sep 21	Sep 20	Sep 19	Year ago
FT-SE 100 SHARE INDEX‡	2336.1	-23.5	2368.4	2332.4	2359.6	2370.2	2300.9	2369.0	2361.5	1808.9

FIXED INTEREST

	PRICE INDICES	Tue Sep 26	Day's change %	Mon Sep 25	xd adj. today	xd adj. 1989 to date
	British Government					
1	Up to 5 years	116.60	-0.48	117.16	–	9.42
2	5-15 years	131.62	-0.86	132.75	–	9.63
3	Over 15 years	140.82	-0.93	142.14	–	11.64
4	Irredeemables	164.00	-1.18	165.95	–	8.83
5	All stocks	129.21	-0.74	130.18	–	9.92
	Index-Linked					
6	Up to 5 years	139.68	-0.27	140.06	–	2.26
7	Over 5 years	137.72	-0.47	138.37	–	2.89
8	All stocks	137.75	-0.45	138.38	–	2.82
9	Debentures & Loans	111.71		111.71	–	7.40
10	Preference	88.90	+0.05	88.85	–	4.24

	AVERAGE GROSS REDEMPTION YIELDS		Tue Sep 26	Mon Sep 25	Year ago (approx.)
	British Government				
1	Low	5 years	9.90	9.82	9.76
2	Coupons	15 years	9.48	9.38	9.44
3		25 years	9.37	9.27	9.16
4	Medium	5 years	10.95	10.73	10.06
5	Coupons	15 years	9.90	9.78	9.71
6		25 years	9.50	9.40	9.48
7	High	5 years	11.05	10.84	10.24
8	Coupons	15 years	10.10	9.97	9.83
9		25 years	9.65	9.55	9.39
10	Irredeemables†		9.42	9.31	9.15
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.28	3.18	3.38
12	Inflation rate 5%	Over 5 yrs.	3.58	3.55	3.89
13	Inflation rate 10%	5 yrs.	2.44	2.34	2.26
14	Inflation rate 10%	Over 5 yrs.	3.41	3.37	3.72
15	Debs &	5 years	13.16	12.96	11.71
16	Loans	15 years	12.05	12.03	11.39
17		25 years	11.49	11.51	11.14
18	Preference†		10.39	10.40	10.29

‡Opening index 2361.9; 10 am 2366.9; 11 am 2366.7; Noon 2346.4; 1 pm 2334.5; 2 pm 2335.7; 3 pm 2340.7; 3.30 pm 2336.0; 4 pm 2337.8
(a) 10.20am (b) 12.26pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	103	2
Corporations, Dominion and Foreign Bonds	4	10	28
Industrials	180	699	715
Financial and Properties	89	279	299
Oils	19	38	35
Plantations	1	1	9
Mines	36	35	103
Others	28	116	100
Totals	357	1,281	1,291

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
57	F.P.	-	66½	58¼	Babcock Intl. Group 10p	58¾	-¼	u3.0	1.7	6.8	10.1
§100	F.P.	-	126	108	Boxmore Intl. 10p	126	+1	u5.2	1.9	5.5	12.2
85	F.P.	-	96	84	Diamond Group Hldgs 5p	86		L1.13	4.7	1.7	16.3
†	F.P.	-	865	750	Elan Corporation Ir4p	750	-25	-	-	-	73.1
100	F.P.	-	102	100	Greyfriars Inv	100	-1	-	-	-	-
-	-	-	£68⅜	£68¼	ISS-Int Serv Sys B DKr100	£68¼	-½	Q10%	5.0	1.2	16.5
-	F.P.	-	105	94	Leveraged Opportunity Tst	103		-	-	-	-
-	F.P.	-	61	53	Do. Warrants	61			-	-	-
†	F.P.	-	481	456	Mitsubishi Elect. Crp. Y50	463	-2	Q16%	2.9	0.8	44.8
♦	F.P.	-	76	70	Murray Enterprise	70	-1	-	-	-	-
90	F.P.	22/9	110	95	Nth. American Gas Inv Tst	98	-1	K3.75	-	5.1	-
-	F.P.	-	51	43	Do. Warrants	46	-2		-	-	-
§50	F.P.	-	52	47	Pacific Horizon Inv Tst 10p	49	+1		-	-	-
-		-	27	23	Do. Warrants	26	+1		-	-	-
50	F.P.	-	51	45	Pacific Prop. Inv. Tst 10p	50	+1		-	-	-
-	F.P.	-	25	17	Do. Warrants	25			-	-	-
†	F.P.	-	475	340	Presidio Oil "A" 10c	460		Q2.5c	-	8.3	-
105	F.P.	-	123	111	Smith (James) Estates	123	+1	u3.0	0.9	3.3	36.1
-	F.P.	10/7	186	63	WPP Warrants	151			-	-	-
§109	F.P.	-	118	115	Westminster Scaffold 10p	117		R5.0	1.6	5.7	13.2

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
66	Nil	-	9pm	7pm	Acsis Group 10p	8pm	
245	Nil	-	25pm	15pm	Caparo (W)	15pm	-4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible] Prospectus or other offical estimates for 1989. K Dividend and yield based on prospectus or other offical estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. ‡‡ Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ‡ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
105p	F.P.	-	108½p	102¼p	British Aerospace 7.75p (Net) Cv. Pf.	102½p	-1½
100p	F.P.	-	124p	102p	Carlton Comms. 6.5p (Net) Cv.Rd.Pf 5p	117p	-2
100p	F.P.	14/9	102p	94p	Corton Beach 7.5p(Net) Cv. Pf.	94p	
♦	F.P.	-	51p	50¼p	Gartmore Am. Secs. Zero Div Pf 5p	50½p	
100p	F.P.	28/7	104p	96p	Hartwell 7½p (Net) Cv Pf. £1	97p	+1
100p	F.P.	-	106p	101p	Kenrick 8.25p Cnv.Rd.Pf	106p	
§100	F.F.	-	103	100	Leveraged Opportunity Tst Cv Uns Ln	102½	
100p	F.F.	-	107p	96p	London Secs. 8¼pc Cv. Rd. Pf.	97p	
§100p	Nil	-	2pm	½pm	Lookers 8pc Cnv.Rd.Pf	½pm	
♦	F.P.	-	77½	65½	Murray Ent. Zero Cv. Uns. Ln. 1994	65½	
-	F.P.	-	100	99⅞	Nationwide Anglia 13½pc Bds. 13/8/90	99⅞	
-	F.P.	-	100	100	Do. 13½pc Bds. 3/9/90	100	
§99.1	F.P.	-	107	99½	Do. 4.25pc Index-Linked 2024	104½	
100p	F.P.	-	103p	98p	Owen & Robinson 8½pc (Net) Cv. Pf.	100p	
§100	F.P.	21/8	105½	101½	Renaissance Hldgs 8.5pc Cv Ln 1994	101½	
§420p	P.P.	10/7	138p	107p	Tiphook Units	128p	+2
§100p	F.P.	25/7	121p	100¼p	WPP 8.25p Cv.Rd.Pf. 10p	114p	

TRADITIONAL OPTIONS

- First Dealings Sep. 25
- Last Dealings Oct 6
- Last Declarations Dec 21
- For settlement Jan 8

For rate indications see end of London Share Service

Calls in Norex, Untd News, P&O Deffrd, Kleen Eze, Butte Mng, Cityvision, Gold Mines Kalgoorlie, Cityvision, Amstrad, Temarts, Tyndall Hldgs, Reckitt & Colman, Vista, Ryan Int, Eurotunnel Wrnts.

LONDON TRADED OPTIONS

Option	Calls			Puts		
Allied Lyons (*521)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. Airways (*210)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots (*283)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.P. (*306)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Steel (*138)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bass (*1045)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C & Wire (*552)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold (*1480)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Courtaulds (*382)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Com. Union (*443)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
G.K.N. (*445)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met (*587)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
I.C.I.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jaguar (*504)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kingfisher (*368)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ladbroke (*337)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Secur (*569)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
M & S (*203)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
STC (*336)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sainsbury (*287)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell Trans. (*431)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Storehouse (*145)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trafalgar (*305)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tesco (*211)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Abbey Nat. (*151)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ASDA Grp. (*190)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gateway (*237)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amstrad (*73)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays (*540)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Blue Circle (*270)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Gas (*215)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dixons (*144)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Glaxo (*1450)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hawker Sidd. (*714)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lonrho (*274)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Bk (*370)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R. Royce (*180)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TSB (*117)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vaal Reefs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wellcome (*740)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE INDEX (*2336)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Sept 26 Total Contracts 47,495 Calls 25,744 Puts 21,751
FT-SE Index Calls 4782 Puts 6570
*Underlying security price. † Long dated expiry months.

UK COMPANY NEWS

Higher forest product prices compensate for falls in brick sales

Ibstock Johnsen improves 18% to £31.9m

By Andrew Taylor, Construction Correspondent

IBSTOCK JOHNSEN, the brick manufacturer, increased pre-tax profits by 18 per cent from £27.01m to £31.85m in the six months to end-June.

This was in spite of sharp falls in housebuilding in the UK and in the north east of the US where Ibstock has most of its brick plants.

The group, one of only three remaining independent quoted brick makers in Britain, said it would be making a free issue of warrants to shareholders.

Ashley Ashwood

Richard Boxall (left) and Ian MacLellan, joint managing directors of Ibstock Johnsen

One warrant will be issued for every ten ordinary shares held. Each warrant, exercisable each June from 1990 to 1995, gives shareholders the right to subscribe for one share at a fixed price of 170p.

Mr Ian Maclellan, joint managing director, said BTR was the only other quoted British company he knew of which had recently issued warrants.

He said: "We believe they will be attractive, particularly to private shareholders where there may be some tax advantage. They may also provide an opportunity for shareholders to take a long term view of a company involved in cyclical industries."

Brick profits in the UK rose from £14.75m to £16.01m despite a 9.5 per cent fall in the number of bricks sold. On average, brick prices were slightly higher than during the corresponding period last year. This helped swell profits.

Ibstock said sales in the first three months of the year benefited from the carry-over from last year's boom in housebuilding. The brick market, however, had worsened as starts made by British housebuilders had fallen 16 per cent in the first six months.

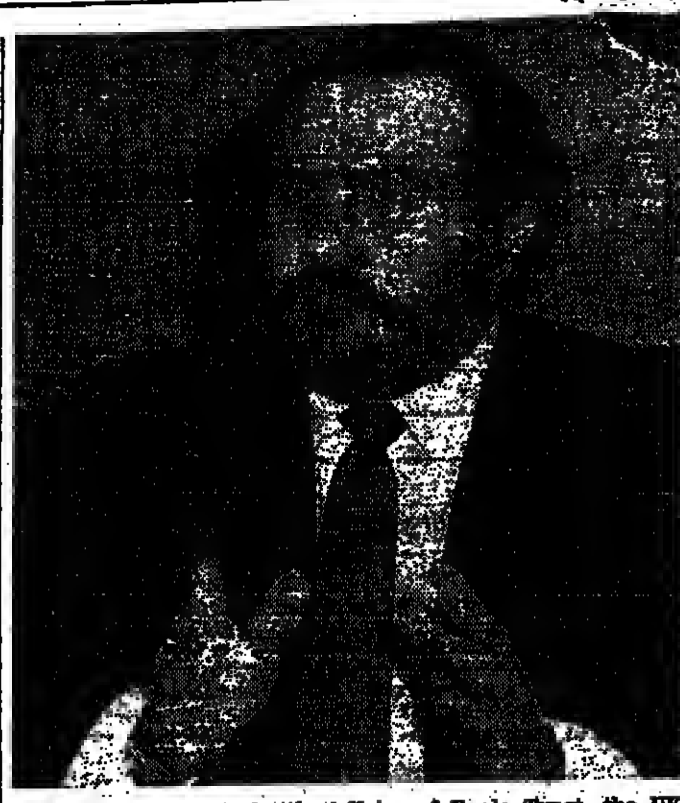
US profits rose from £3.02m to £4.04m. If new acquisitions were excluded profits would have been down slightly. Ibstock said brick sales had been affected by a further housebuilding setback in the north east of the US and by exceptionally wet weather.

Forest products profits, benefiting from higher wood pulp prices, rose from £8.21m to £11.89m. World stocks of wood pulp remained low and the market expected to remain strong until at least the end of this year, Mr Maclellan said.

Group turnover rose from £170.11m to £175.14m. Earnings per share increased from 9.04p to 10.24p and the interim dividend is 2.25p (2p).

● COMMENT

Ibstock has done well in the first half. UK brick sales are down by 12 per cent compared with Ibstock's 9.5 per cent. Housing starts in the north east of the US in the first seven months of this year are down by about a quarter. Ibstock's brick sales in the US, after stripping out new acquisitions, fell by only about 6 per cent. The group's efforts to encourage greater use of bricks in the design of commercial buildings means it is not as dependent on housing cycles as some of its competitors. Brick profits will be harder to achieve in the second half with prices and sales falling in the UK and no sign of any major improvement in housing starts in the US. Forest products profits, however, will remain strong for a little while yet. A p/e of just over 7 times on prospective profits of £63m reflects concern about next year's outcome should the hull market in forest products end. Ibstock, however, will do better than most of its competitors in the brick industry.



A NEW controversy in the affairs of Eagle Trust, the UK company that is the subject of a Serious Fraud Office investigation, emerged yesterday when Mr Joe Monterosso (above) president of Laforza Automobiles, a 50 per cent owned subsidiary, said that the attitude of Eagle Trust's creditor banks was jeopardising his company, writes Vanessa Houlder.

At the same time, Mr David James was considering whether to accept the chairmanship of Eagle Trust. The company doctor was offered the post on Monday night.

This follows last week's request for the resignation of Mr Malcolm Stockdale, Eagle's present chairman, by the banking consortium, which consists of Lloyds Bank, Standard Chartered Bank and National Westminster Bank.

Mr Monterosso has been pressing Eagle Trust to convert $18m (£11.1m) of loans into equity and to reaffirm $12m of guarantees. He said this would give private backers in the US the confidence to produce further funding. Without this, the future of Laforza could be measured in weeks, not months, he said.

He said that the board of Eagle Trust had agreed to these requests and furthermore had agreed, three weeks ago, to invest a further £1.5m if Laforza could match that amount. However, at a board meeting last week, he had been warned that the banks would not support these measures.

"I have had 100 per cent support from the board but it has been refused by the banks," he said.

Mr Monterosso said that he had flown to the UK in an attempt to force a decision from Eagle. He said he planned to wait at Eagle Trust's London flat for the result of a board meeting held last night.

La Forza which makes four-wheel-drive sports cars, valued at $43,800 each, first became involved with Eagle Trust in late1987. It has received $17m from Eagle Trust and says that it needs to raise a further $8.5m over coming months.

Tiphook & Stena claim over 50% of SeaCon

By Andrew Hill

TIPHOOK, the UK container rental company, and Stena, the private Swedish ferry operator, yesterday claimed more than half the independently-held shares in Sea Containers had been committed to their $1.02bn cash offer for the Bermuda group.

Mr Robert Montague, Tiphook's chairman, said: "I think the shareholders are telling Sea Containers to recommend our offer."

In recent weeks, the price of Sea Containers' common shares in New York has slipped beneath the offer price of $63 for the first time. When the bid closed on Monday night, some 5.01m of the common shares had been committed to the offer.

On a fully diluted basis there are 14.6m shares in issue. Excluding shares owned by Stena, and by Sea Containers subsidiaries and directors, the predators are claiming 50.5 per cent of the remaining fully diluted equity.

Including the Stena stake, they say 54 per cent of the shares not controlled by Sea Containers have been committed to their offer. The bid has been extended again, this time until midnight on October 10.

A recommendation would be the only way in which Tiphook and Stena could bypass the long-running legal battle which has clogged the progress of the bid since it was launched in May.

The chief justice of Bermuda, where Sea Containers is registered, has been hearing the Anglo-Swedish challenge to the target's principal defences. These include the purchase of the parent's shares by its subsidiaries and a "poison pill" shareholder rights plan. The jndge is expected to rule on the legality of those dafensive measures towards the end of next month.

Mr James Sherwood, Sea Containers' president, was unavailable to comment yesterday. He has said a rescue plan consisting of asset disposals and a cash pay-out could realise between $70 and $100 per common share for investors, compared with the $63 increased hostile offer.

Last week, the predators said they would solicit proxies seeking to elect new directors to Sea Containers' board at this year's annual meeting of the group. Sea Containers said yesterday it had yet to fix a date for the meeting.

In Naw York yesterday, Sea Containers' shares continued to trade below the offer price at around $60 each.

GPG sales approved

THREE DISPOSALS by GPG Group were provisionally approved at yesterday's extraordinary general meeting on the weight of votes by the bank syndicate which took control of the financial services company in January.

The sale of the three businesses to their managements was opposed by Mr Robert Maxwell's interests, with 14.6 per cent of GPG's shares; Lord Kissin, GPG's founder, with 5.4 per cent; as well as by other shareholders holding a total of about 4 per cent.

The three businesses being sold are Fenchurch, GPG's insurance-broking arm, Forstmann-Leff Associates, its New York-based fund manegement company, and GMCC, the holding company for US operations.

Rival bidders have until Friday to come up with better offers. They will be assessed by GPG's independent directors.

BAT STRATEGY

'No general lessons' for targets

By John Ridding

BAT Industries' proposal to sell or demerge various of its businesses in the face of Hoylake's bid does not hold general lessons for conglomerates under attack, according to directors of similar companies.

Mr John Cahill, chief executive of BTR, denies that conglomerates can necessarily unlock extra value by such schemes.

"Investors buy into conglomerates because of their managements and if this is already reflected in the rating then there is little gain in separating them out.

"If you float off the high flying companies then the dross that remains will obviously suffer a consequently lower rating."

But Mr Brian McGowan, chief axecutive at Williams Holdings, believes demerger and disposals can be valid.

"All conglomerates go through a fashion cycle and there will be times when the full value of the constituents is not properly reflected."

Williams is already doing some unbundling, announcing last month that it planned to float off its car dealerships.

For Mr Gregory Hutchings, chief executive at Tomkins, the most important factor is the quality of management. "If you have the right people at the top then there is less chance of a bid and a hostile bidder is going to have to pay too much of a premium to gain control."

BAT divestment in Germany

By Haig Simonian in Frankfurt

BAT Industries' move to divest some of its retailing activities put the spotlight on Horten, the department stores chain in which BATIG, BAT's West German holding company, holds a 51 per cent stake.

Horten, which is West Germany'e fourth largest department stores gronp, with net profits last year of DM35m on sales of DM3.13bn, has been viewed as an increasingly likely divestment candidate as the bid for BAT gathered pace.

However, BATIG is under no pressure to sell quickly, an official said yesterday. The company has received plenty of offers for both Horten and the Eurotec group, a 100 per cent BATIG-owned subaidiary which makes plastics components, predominently for the motor industry.

The sale of Horten would further contribute to restructuring of the German retail industry in the wake of the troubles at Co op, one of the country's biggest food retailers, which has appeared increasingly susceptible to a takeover.

Big department store groups like Karstadt and Kaufhof would probably be ruled out from bidding for Horten on monopoly grounds. However, Frankfurt-based Hertie, the country's third biggest chain, has said it is interested.

Othar interested parties could include foreign department store groups, or German retailers which have so far avoided going into city-centre retailing.

However, despite the substantial investment programme underway at Horten, which has rationalised its stores network and raised sales per employee, further modernisation is felt to be required. The group, which has 52 stores, is currently valued at around DM 1.4bn on the stockmarket.

With a some 25 per cent of the group's shares held by an investment company owned by Deutsche Bank and Commerzbank, the prospect of a change of ownership leaves little potential for the arbitrageur, helping to explain why Horten ahares closed unchanged at DM317 in Düsseldorf yesterday.

UK COMPANY NEWS

The money behind the Pembridge bid

By John Thornhill

THE 18 mystery backers of Pembridge Investments' bid for DRG were yesterday revealed as a diverse collection of international investors, several of whom are among the predatory Hoylake pack currently hunting BAT Industries.

Perhaps the most famous is Mr Roy Disney, the California businessman and nephew of the late cartoonist, Walt Disney. His investment vehicle, Shamrock Holdings, which earlier this year failed in its attempt to seize control of Polaroid, is backing the bid to the tune of £5m.

Mr Disney, who was disparagingly described around the Disney film studios as Walt's "idiot nephew," spent his early career editing and producing a series of homely nature films, such as The Living Desert and The Vanishing Prairie.

But more recently, he has shown a sharp business eye for acquisitions and in 1985 snapped up Central Soya, a US soya bean processor, for £306m. Interestingly, J Rothschild Holdings, the investment company run by Mr Jacob Rothschild was a significant backer of the bid.

Another prominent US investor is Mr Ted Field, a member of the family that built up the US department store chain Marshall Field, now owned by BAT.

Mr Field is the largest investor in Pembridge, in total committing £59.44m. He has also invested £25m in the Hoylake bid.

Sweet Acquisition, the Cayman Island-based investment company of Mr Edouard Stern, a member of the French family who until recently controlled the Banque Stern investment bank, is also a backer of both unbundling offers, investing £10m in Pembridge.

A further French link is provided by IDI, which until its privatisation in 1987, was a government- owned investment company, along the lines of 3i, the British venture capital group. IDI, also a Hoylake backer, is putting up £3.5m through three investment companies it owns or co-manages.

Mr Roland Franklin, who is leading the Pembridge assault, declared earlier this month that he was not very rich, but he, and his family, have still succeeded in scraping together enough pennies to invest £31.16m.

Their investment is being made through Pembridge Associates, a US investment company which owns all the voting "A" shares of Pembridge Investments.

Pembridge, incorporated in Bermuda, has been set up with the sole purpose of making the offer.

The following summarises the activities of the equity investors in Pembridge and their sterling funded commitments paid in full:-

● Beijer Capital AB — an investment company quoted on the Stockholm Stock Exchange whose chairman is Mr Anders Wall — £2.75m.

● Central Investments, an investment company based in Jersey, representing the family interests of Mr Guy Naggar — £1m.

● CICLAD Investissements SA, an investment company based in France, specialising in LBOs, co-managed by Credit Lyonnais and IDI — £0.5m.

● Compagnie D'Investissements Astorg, an investment company quoted on the Paris Bourse, in which Compagnie Financiere de Suez and IDI are the two principal shareholders — £1.5m.

● Euris SA, an investment company based in France and managed by Jean-Charles Naouri — £3.5m.

● Finance Contrepartie, an investment company based in Geneva representing the interests of Mr Alain Dumenil — £1m.

● Financiere Saint Dominique SA, an investment company based in France which is a wholly-owned subsidiary of Credit National — £3.5m.

● Glebe Investment Corporation — an investment company based in Panama and operated by Mr James King of Ovington Securities — £1m.

● IDI, an investment company based in France and controlled by Ancelle et Associes, which is owned by the managers and employees of IDI's group — £1.5m.

● Interconseil Establishment, an investment company based in Liechtenstein that is a wholly-owned subsidiary of The Toulika Foundation. Mme Gilberte Beaux, a director of Pembridge, is an adviser to the Toulika Foundation — £0.6m.

● Interscope Securities, LP, a limited partnership based in the USA representing the interests of Mr Frederick W Field — £10.5m.

● Interscope Securities XI Inc, an investment company based in the USA representing the interests of Mr Frederick W Field — £48.94m.

● Montrose Co-Investment Fund Limited Partnership, a limited partnership based in the USA controlled by Mr Clay Hamner — £5.55m.

● Munksjo AB, a paper and packaging company based in Sweden and quoted on the Stockholm Stock Exchange — £2.75m.

● Pembridge Associates Inc, an investment company based in the USA representing the interests of Mr Roland AB Franklin and his family — £31.16m. In addition, Pembridge Associates Inc owns all of the voting "A" shares in Pembridge.

● Shamrock Holdings of California Inc, an investment company based in the USA representing the interests of Mr Roy E Disney — £5m.

● Summer Hill Limited Partnership II, a limited partnership based in the USA representing the family interests of Mr Richard T Farmer — £2.25m.

● Sweet Acquisition, an investment company based in the Cayman Islands representing the interests of Mr Edouard Stern — £10m.

Further details of the rights of each class of share will be set out in the formal offer

Holmes accuses Wormald of endangering search for buyer

By Andrew Hill

HOLMES PROTECTION Group, the New York security company quoted in London, yesterday accused its largest shareholder of jeopardising its search for a buyer.

Holmes has started a formal "controlled bidding" process and has already received inquiries from a number of potential buyers, mainly US companies.

But at the same time Wormald International, an Australian fire protection company which owns 14.6 per cent of Holmes, is trying to elect five directors to the New York group's board.

Holmes is to hold a special meeting for its shareholders in London on November 1.

It is an increasingly bitter fight, which has involved legal actioo in Delaware, where Holmes is incorporated. Yesterday Holmes dismissed the Wormald move as an attempt to take control of the group without mounting a formal offer. Wormald, which made its move after Holmes announced lower pre-tax profits for 1988, has said it does not inteod to launch a full bid.

Yesterday Holmes revealed profits for the first half of this year had slipped from \$7.31m before tax to \$2.83m. But Mr Brian O'Connor, Holmes's chairman, said new management installed in Manhattan since May had already improved trading.

He said Salomoo Brothers, which was asked to consider the best options for Holmes four months ago, recommended a takeover by a larger company as the best solution to the group's problems.

Holmes, which operates a central alarm monitoring station in Manhattan, should be able to close the list of potential bidders in the oext few weeks and could have a deal well before Christmas.

Mr O'Connor said yesterday: "[Wormald] is an unnecessary and frustrating distraction and the timing of the approach is appalling. They are endangering a successful outcome. If they are geouinely serions, why don't they enter the bidding process?"

Wormald has said it wants to give Holmes "a new direction," and claims that of the five directors proposed for the Holmes board three are independent of the Australian company, which belongs to London-registered AFP Group.

In the six months to June 30 Holmes's turnover was up from \$31.7m to \$39m.

Earnings per share slipped from 10.1 cents to 3.8 cents and the group declared an interim dividend of 1.2 ceots (1.1 cents).

Holmes shares in London dropped from 86p to 82p.

COMPANY NEWS IN BRIEF

GIBBON LYONS GROUP has acquired the outstanding 55 per cent of its associate Gibbon Colorcentre (Northern) (Manchester Colorcentre) for £1.55m. Consideration to be met by the issue of 930,000 ordinary shares and £145,000 cash. Of the shares, 805,818 are being placed to raise £1.21m for the vendors.

HAZLEWOOD FOODS has exercised an option to acquire the 20 per cent interest in its subsidiary, Food Enterprises. Consideration is £1m satisfied by the issue of 388,954 shares.

HERITAGE has acquired Youngsley, an importer of disposable paper housewares and distributor of children's character merchandising, for a maximum £600,000. An initial £100,000 cash is payable with a further maximum £500,000 in shares dependent on Youngsley achieving warranted profits before tax of £142,000 in 1992-93.

HODGSON HOLDINGS: Offer acceptances totalled 19.11m Hodgson ordinary shares (91.72 per cent), 18.38m Kenyon ordinary shares (96.31 per cent); 14.16m Hodgson 6.75p preference shares (91.09 per cent) and 14.93m Hodgson 8.5p preference shares (99.52 per cent).

JANTAR is paying £1.4m in shares to AIM Group for Transequip (London), a maker of air cargo containers. The shares will be placed. Jantar, which is also raising a net £900,000 via a placing, announced plans to change its name to Cargo Control.

MERGERS CLEARED: The trade secretary has decided not to refer the following acquisitions: Hafnia Holdings of Prolific Group; Pompes Funèbres Générales of Hodgson Holdings and Kenyon Securities; and Bombadier of Short Brothers.

PEACHEY PROPERTY Corporation (a subsidiary of Wereldhave UK Holdings): Pre-tax profits of £476,557 (£1.78m) for the six months to June 30 1989. Net rents totalled £7.34m (£6.24m): interest receivable amounted to £216,971 (£1.32m) and interest payable was £5.57m (£4.48m).

SPICE rights acceptances totalled 10.48m new ordinary shares representing approximately 89.78 per cent of those provisionally allotted.

SWIRE (J) & Sons (private company with interests in shipowning, road transport, cold storage, property, aviation, manufacturing, trading and plantations): pre-tax profits for the six months to June 30 1989 was £50m (£50.9m), and turnover amounted to £118.9m (£105.8m).

TI GROUP: Mannesman's auperviaory board bas approved of the strategic alliance to be formed whereby Mannesman of Dusseldorf will subscribe £41.3m for a 5 per cent shareholding in TI.

Dolphin optimistic in spite of dive to £0.87m

IN SPITE of a fall from £1.19m to £817,000 in pre-tax profits for the six months to June 30, Dolphin Packaging remained reasonably optimistic.

Mr B Smith, chairman, said that prospects for the future of this plastic packager remained very promising. He said the board was confident that the results for the full year would show a resumption of profits growth, with 1990 set to reap the benefits of the high levels of investment in plant and premises.

This, together with acquisitions, would give company a firm trading base for further organic growth in both UK and Europe.

Turnover for the half year was £12.07m (£6.94m) and operating profit was £1.56m (£1.21m) while interest payable leapt from £21,000 to £743,000. Tax charged was £241,000 (£321,000) leaving earnings at 2.98p (4.49p) per 5p ordinary.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allied P'ship ....int	1†	-	0.75	-	1.75
Blockleys ....int	1.96	Nov 3	1.75*	-	4.35*
Bostrom ....int	2.25	-	-	-	1.5
Brixton Estate ....int	2.2	-	1.75*	-	4.875*
Bryant Group ....fin	3.4	Nov 28	3.1	4.8	4.3
BSG Intl ....int	0.7	Dec 29	0.66	-	3
Clifford Foods ....int	3.6	-	3.6	-	10
Dolphin Packag § ....int	1.2	-	1.2	-	3.2
Hawthorn Leslie§ ....int	0.25†	Oct 31	0.2	-	0.6‡‡
Holmes Protect ....int	1.2x	Jan 22	1	-	1.1
Ibstock Johnsen ....int	2.25☆	Dec 1	2	-	5.5
Intereurope Tech ....fin	5	Nov 17	4.4	7	6.4
Kitty Little § ....int	0.575	Nov 10	0.5	-	1.5
Lincat Group § ....fin	3.1	Jan 5	-	4.6	-
Mag Materials § ....fin	2.1	Oct 30	2	3	2.9
Neill (James) ....int	3.1	-	3.1	-	8.5
PCT Group § ....int	2.2	-	1.9	-	5
Plaxton Group ....int	3†☆	-	3.1	-	6.2‡
Proudfoot (Alex) ....int	3.5	Oct 31	2	-	5.5
Trafford Park ....fin	3.45	-	3.15	5.15	4.7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡For 15 months. ‡‡For 16 months. ☆Carries scrip option. xUS cents throughout.

UK COMPANY NEWS

Impact of higher interest rates on garden tool sales hits core operations

James Neill shows sharp dive to £28,000

By Andrew Hill

JAMES NEILL Holdings only just broke even in the first half of the year, after the impact of higher interest rates on sales of hand and garden tools cut profits in the core UK operation.

Tha group made £28,000 before tax – against £2.71m in the first six months of last year – following exceptional costs of £507,000.

Neill aims to cut £3.75m from annual overheads and further improve productivity. The group has also made a number of management changes.

However, the poor results are bound to intensify speculation about the possibility of a bid for the group. The shares slipped just 6p to 191p in a weak market yesterday, valuing the whole company at about £53m.

James Wilkes, the Sheffield manufacturer of beer mats and box machinery, holds a 9.3 per cent stake in Neill. Wilkes' chairman, Mr Stephen Hinchliffe, said yesterday: "It's a fairly rich price for anybody looking at (Neill) at this stage."

After tax and dividend payments Neill dropped into the red for the first half, losing £1.39m against a profit of £1.22m retained in the equivalent period. The group announced a loss of 1.9p per share, compared with earnings of 7.5p, but the dividend was held at 3.1p as an indication of the company's confidence. Turnover was slightly down at £39.4m (£42.1m).

Mr Peter Bullock, chief executive, said yesterday: "Our hopes for the levels of demand were not borne ont. Instead of getting a 10 per cent increase in sales in the UK operations we had something like a 10 per cent decrease."

He added that there was a particular weakening of consumer demand in the do-it-yourself market and many distributors of Neill tools, which inclnde well-known brands like Spear &Jackson, redneed stocks.

The gronp was also held back by the indirect costs of launching its Britool operation – selling tools direct to mechanics from vans. Start-up costs made up the bulk of the exceptional item but the introduction of the new product range also caused disruption in the company's factories, hitting operating profits.

Paul Murphy

Peter Bullock: Hopes were not borne out

● COMMENT

James Neill is famous for its efforts to locate potential predators lurking in the share register, and has also carried out an internal valuation of its well-known brand names. But no amount of assiduous detective work or in-house boosting of morale can protect a company from weak trading. The Neill family's 12 per cent holding provides a modicum of shelter from a possible bid, but the share price itself may prove a more effective deterrent. Assuming a full-year profit of just over £2m before tax, the shares are on a dizzy prospective multiple of about 60. Growth in the next year is more likely to come from productivity and margin improvements than any leap in turnover, so the adventurous investor will be hoping for a hostile, possibly contested bid. The cautious should probably avoid the stock.

Brixton Estate up 26% to £9.66m

By John Ridding

BRIXTON ESTATE, the property development and investment group, yesterday announced pre-tax profits of £9.66m for the six months to June 30, an increase of some 26 per cent over the first half of 1988.

Investment profit rose from £6.54m to £8.15m and dealing profit increased from £1.15m to £1.52m. Earnings per share improved from 3.47p to 4.29p and there is an interim dividend of 2.2p, an increase of 26 per cent after taking into account the one-for-one capitalisation issue in June.

Mr Harry Axton, chairman, said that there was still good tenant demand for the company's developments. This partly reflected the fact that its UK projects were in the Holborn area of London and the western home counties, which continued to see strong demand.

In addition, Brixton's developments were in the industrial and commercial sector which were more buoyant than the retail market. As a result, increases in rental charges were achieved which helped lift rental income from £13.56m to £16.14m.

The principal first half developments in the UK included the commencement of letting at the Dorking business park which will be completed by the year end.

In the Tower Bridge Business Park one of the second phase buildings had been completed and handed over to the Royal Mail. Terms had been agreed to lease the remaining unit.

Overseas, construction work was underway on the Anderlecht business park in Belgium. One of the buildings had been pre-leased to Kraft, the US food company. Profits from this development were expected to start accruing next year.

Acquisition provides impetus at Proudfoot

ALEXANDER Prondfoot, the management consultancy, lifted taxable profits to £16.87m in the six months to June 30 – an advance of 18 per cent on the £14.34m recorded in the corresponding period of 1988.

The increase partly reflects the group's acquisitioo in March of Phillip Crosby Associates. Lord Stevens, chairman,said Crosby was "trading strongly."

In Asia Crosby operations were benefiting from Proudfoot introductions, while activities in Latin America were satisfactory "considering the economic difficulties in that area."

Crosby was also said to be growing rapidly in North America. "We are seeing the benefits of the corporate link between Proudfoot and Crosby" Lord Stevens said.

Gronp turnover expanded some 20 per ceot to £62.45m (£52.11m). Operating margins increased from 26.4 per cent to 28.8 per cent. Earnings rose to 16.49p (13.86p) per share and the interim dividend is raised 1.5p to 3.5p.

An extraordinary surplus of £2.82m represented the balance of the consideration from the disposal in 1988 of Language School Holdings.

COMPANY NEWS IN BRIEF

ACCORD PUBLICATIONS has agreed a 33p cash per share offer, with a loan note alternative, from Pentland. The offer values it at £2.2m.

AVIS EUROPE: Cilva Holdings' £896m bid for the car hire and leasing group has been declared unconditional as to acceptances after receipt of acceptances for 84.1 per cent of its share capital. The 600p cash offer remains open.

BECKENHAM GROUP rights issue was taken up in respect of 6.09m shares (93.5 per cent).

EUROCOPY has completed the sale of Northern Grant Leasing to British Equipment Leasing. Consideration was £610,000 of which £455,000 was received on completion and £155,000 is deferred. Also, Eurocopy received on completion repayment of a loan to NGL of £5m.

NEWMAN TONKS has, in separate transactions, acquired all the capitals of Garvie & Syme, Strathclyde Hardware and CBS Architectural Hardware for considerations aggregating £4.65m. That will be satisfied by the issue of 1.36m Newman Tonks ordinary shares at 200p each, £1.73m cash and £200,000 in loan notes.

NEWS DIGEST

Trafford Park rises 37%

WITH A 37 per cent increase in pre-tax profits for the year to June 30, Trafford Park Estates announced an increase from 4.7p to 5.15p in its total dividend with a recommended final of 3.45p (3p) and proposed one-for-one scrip issue

The pre-tax profit amounted to £4.4m (£3.21m) and after tax of £1.36m (£1.02m) earnings per 25p share amerged at 9.11p (6.61).

Strong recovery by Intereurope Tech

Pre-tax profits of Intereurope Technology Services for the year to June 30 revealed strong recovery by more than doubling from £545,000 to £1.374m on turnover which was just 14 per cent np at £13.266m (£11.59m).

The chairman, David Immanuel, said the company which provides documentation and specialist services to the Government and industry, said the year had seen a further shift from defence related work to the civilian sector and he expected that process to continue.

After tax of £528,000 (£324,000) earnings per 20p share emerged at 16.24p (6.31p). A final dividend of 5p(4.4p) has been recommended to make a total of 7p (6.4p).

Imtec in black after four years of losses

Imtec Group, the USM-quoted manufacturer of micrographic equipment, moved back into the black after four years of losses.

For the six months to June 30 Imtec announced pre-tax profits of £40,000 compared with a corresponding loss of £2.85m.

Directors said the profits resulted from a good performance by Laser-Scan, reduced losses from Imtec Engineering Graphics and a reasonable profit from the engineering division.

Turnover rose from £4.67m to £7.31m. Earnings were nil (2.3p loss per share).

PCT profits up and bright outlook

PCT Group, which markets and develops power tools and lifting and welding gear and came to the USM in August 1983 , increased its pre-tax profit by some £128,000 to £505,000 in the six months ended June 30 after heavier interest charges of £327,611 (£260,4790.

The directors said indications for the second half were promising, with strong expectations of improved business among assembly and petrochemical customers. The outlook generally was good and there were several acquisitions presently under consideration.

Turnover for the period was £9.82m (£8.94m); after tax of £141,364 (£34,000) earnings per 10p ordinary were 7.8p (7.6p). The interim dividend is raised from 1.9p to 2.2p.

Saatchi brothers sell NMC stake

By John Ridding

THE SAATCHI brothers, Charlas and Maurice, have sold their 20.5 per cent stake in NMC, the acquisitive specialist packaging and property company, realising a profit of abont £10m on their 1986 investment in the then-shell company.

Mr Crispin Barker, a NMC director, has bought 2.58m of the Saatchis' 7.98m shares, taking his holding to 7.7 per cent. The balance has been placed with institutional clients of UBS Phillips & Drew, the company's broker.

NMC has seen a rapid growth in profits and market capitalisation since the Saatchis and Mr Norman Gordon, the current chief executive, took a 50 per cent stake in March 1986.

Since then pre-tax profits have risen from below £100,000 to £10.1m in the year to March 1989. The shares, for which the Saatchis paid 16p each in 1986, closed 2p lower yesterday at 119p.

Mr Gordon said that "we are always sorry to lose long-term investors but the fact that nr executive director has invested £3m of his own money in the company shows a good deal of confidence in our business."

Desoutter Brothers to pay dividend

Desoutter Brothers is paying an interim dividend of 3.6p (3p) following the recommendation that the offer from Atlas Copco be referred to the Monopolies and Mergers Commission.

First half £1.45m for Bostrom

By Jane Fuller

BOSTROM, the vehicle seat maker and engineering specialist, yesterday announced a 68 per cent rise in pre-tax profits for the first six months of the year.

Profits were £1.45m, compared with £863,000 for the comparable period last year, on sales up 30 per cent to £13.75m (£10.6m). Earnings per share increased 51 per cent to 8p (5.3p).

Mr Colin Howell, managing director, said the profits growth for the company – which was floated last November – was not as strong as it appeared because last year's first half inclnded unusual costs and phasing.

While vehicle seats contributed the bulk of the profits, 15 per cent came from specialist engineering in which Bostrom has made four acquisitions in 15 months.

The company has increased its market share in seating, with sales coming in roughly equal measnre from trucks, tractors, construction vehicles and the after market.

Mr Howell said the middle of next year would see sales benefits being reaped from the move into car seats through its joint venture with Europe's largest maker, BFA of France.

He attributed part of Bostrom's success to just-in-time manufacturing, which has cut the time it takes for a component to go through the seating factory from six to eight weeks to one to two weeks.

The interim dividend of 2.25p represents an increase of 10 per cent over that indicated at flotation.

BOARD MEETINGS

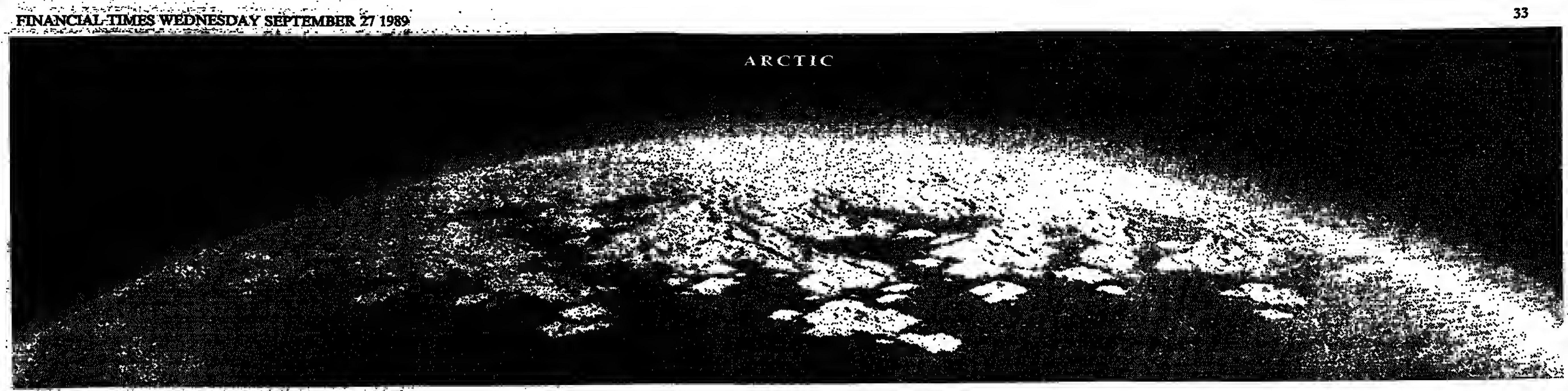
The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- ASB Barnett Kinnings, Acorn Computer, Addison Consultancy, Ashley (Laura), Bank of Scotland, Bank of Wales, Boddington, British & Commonwealth, Cakebread Robey, Christies Intl, Dagenham Motors, Delaney, Evered, Fitzwilton, Hogg Robinson & Gardner Mountain, Martin Currie Pacific Trust, Porth, Scott & Robertson, Sintrom, Tesco, Wolstenholme Rink, World of Leather.
Finals- Ash & Lacy, Bailey (Ben), Corroy, Community Hospitals, Duncan (Walter) & Goodricke, Eleco, Gent (SR), Harvey & Thompson, Renishaw.

FUTURE DATES

Interims-	
Atlantic Securities Trust	Sep. 29
Caffyns	Dec. 6
Camellia Investments	Oct. 5
Early's of Witney	Oct. 4
Gates	Oct. 2
Grampian	Oct. 4
Haden Maclellan	Sep. 28
Lowe Howard Spink & Bell	Oct. 3
Saga	Sep. 28
Sheffield Insulations	Oct. 3
Stylo	Sep. 28
Triplevest	Oct. 2
Wankie Colliery	Sep. 29
Wills	Sep. 29
Finals-	
Amstrad	Oct. 17
Galliford	Oct. 5
Hatfield Estates	Nov. 8
Highland Distilleries	Oct. 16



The fridge we're referring to is somewhat larger than your average Philips.

Located in Strathclyde in Scotland, our new refrigerated storage unit will sit on some 41 acres of land within a building of over half a million square feet which will swallow well over 300,000 tonnes of groceries. (Which, to put it in graphic terms, is about 250 fully laden jumbo jets.)

But perhaps what's even more impressive is the bit you can't see.

Hermetically sealed into the pipework of our new refrigeration complex is an ammonia gas coolant, which, unlike CFCs, has absolutely no ill effect on the ozone layer.

Nor will it contribute to the overall warming of the planet, known as the Greenhouse effect.

To prevent two pieces of ice melting, we've bought a new refrigerator.

As you might expect, a fridge of this magnitude and complexity doesn't come cheap.

By the time it has been installed the whole project will have cost us a cool £27 million.

But that's only the tip of the iceberg. We've been investing in the environment in this and other ways for nearly 20 years.

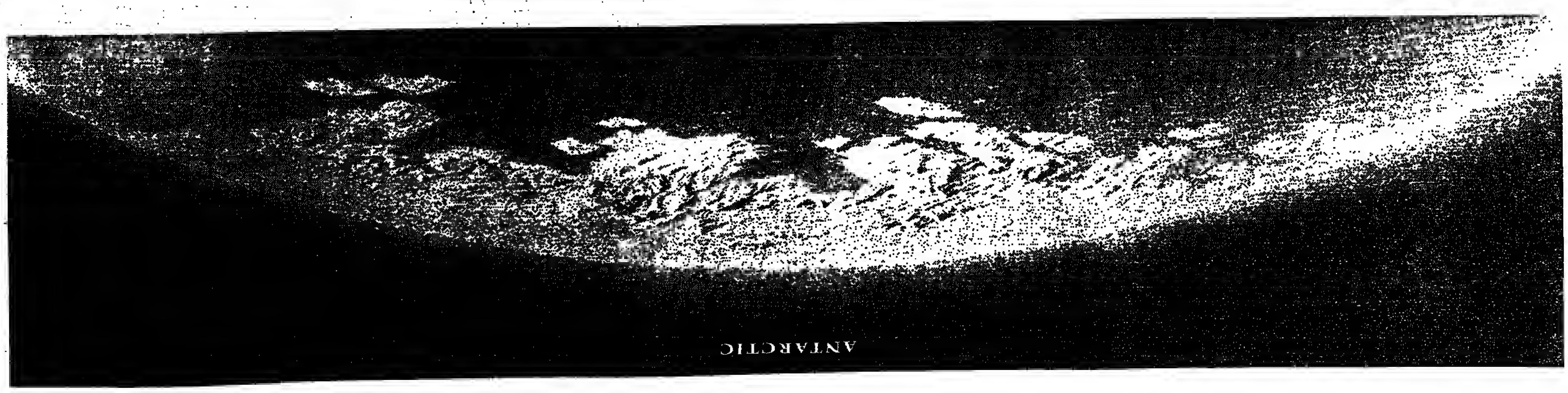
By the end of the year, four of our stores will be equipped with ozone-friendly cooling systems. These will be built from scratch and not bolted onto existing systems.

And there's more planned for next year and the year after that.

As a matter of fact, we don't intend to stop until each and every refrigeration unit in our supermarkets across the country is replaced.

The cost of such an exercise is staggering. But the consequence of doing nothing would be far more chilling.

SAFEWAY



UK COMPANY NEWS

Second-half slowdown checks Bryant

By Andrew Taylor, Construction Correspondent

PRE-TAX PROFITS of Bryant Group, in which English China Clays holds a 29.9 per stake, rose by less than 3 per cent from £50.1m to £51.4m during the 12 months to May 31 1989.

This slowdown came after a first half in which Bryant's profits rose by 38 per cent £31.1m.

The group builds houses in southern and central England – regions which have been among the worst hit by the collapse in house sales since last autumn.

Bryant's good first half performance reflected the carry over from the very housing market which existed in the southern half of the country during the first eight months of last year.

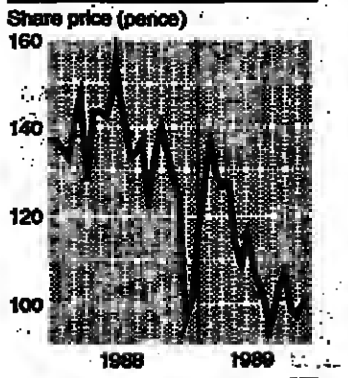
Turnover rose from £259.7m to £314.8m. Earnings per share rose from 16.2p to 16.8p and a recommended final dividend of 3.4p increases the total for the year to 4.8p (4.3p).

Bryant sold 1,890 homes in 1988–89, 12 per cent fewer than during the previous 12 months. Operating profits from housebuilding still rose from £37m to about £40m.

Profits would have been £3m higher but for a £3m write-down in land values. In the current financial year the company plans to build 1,600 homes.

Bryant Group

Share price (pence)



In addition to its housing operations, Bryant has a rapidly expanding property development business which produced profits, including earnings from associates, of about £11.5m on sales of £33.8m. The value of schemes in the development portfolio rose by a quarter to £400m in 12 months to end-May.

Turnover from contracting rose 20 per cent to £81.3m. Based on margins of between 3 per cent to 4 per cent this could have added a further £2.5m to £3m to profits last year.

● COMMENT

Any housebuilder selling homes in southern and central England is having a tough time and Bryant is no exception. It says sales in the south east have picked up in the last six to eight weeks but this represents bumping off the bottom rather than a fundamental improvement in market conditions. This will not arise until some time after interest rates decline such is the backlog of property waiting to come onto the market. Housing profits in the current financial year will be down sharply while the big increase in the group's development programme will not show material benefits for another 18 months. Until that happens and the housing market picks up, Bryant will remain vulnerable. A prospective p/e of 7.5 on pre-tax profits of £40m reflects Bryant's attractions as a takeover candidate rather than confidence in the immediate future for house sales in the south east.

Bryant Properties, the fast growing property development arm of Bryant Group has formed a joint venture with Astra Group Holdings to carry out property development in the Irish Republic.

The group has announced plans for Dublin's first office campus of about 180,000 sq ft on a seven acre site at Clonskeagh. The scheme, which will called Beech Hill Office Campus, will be developed in three stages and will have an estimated value on completion of about £25m.

Mr Nick Mason Jones, managing director of Bryant Properties said: "Dublin's office market is moving ahead strongly. We are confident that there is a very bright future for development in the Republic."

Astra Group is a privately-owned Dublin company which carries out housebuilding, property development, plant hire and leisure development in Ireland, the UK and Spain.

Housing side limits growth at Dencora

THE HOUSING division limited growth in interim profits at Dencora in the first half of 1989.

Although the operation was trading profitably turnover was depressed compared with the buoyant period of last year, said Mr John Laurence, chairman.

Pre-tax profits for the Suffolk-based property investment and development group were 7 per cent higher at £4.61m, against £4.28m. Turnover was £19.33m (£16.43m).

Commercial activities contributed a higher proportion of profits and tha surpius on rental income increased 15 per cent to £2.42m.

Mr Laurence added that it was expected that the programme of commercial development together with an increasing benefit from substantial rent reviews would provide the majority of profits for the year while the housing market slowly recovered.

The pre-tax figure was struck after increased net interest payable £1.88m (£1m). Earnings per share came out at 17.5p (16.9p) basic or 14.4p (14p) fully diluted.

Microgen shares fall 20p as chairman warns of lower full-year profits

By John Thornhill

MICROGEN HOLDINGS, the computer bureau services company, yesterday announced that profits for the year would be lower than expected and below last year's £10.04m. The announcement triggered a 20p fall in Microgen's share price and it closed the day at 164p.

Mr Patrick Barbour, chairman, said reorganisation costs incurred as part of the company's refocusing efforts had resulted in the projected profits fall. All these costs are to be taken above the line.

Microgen is currently integrating two service companies, Microgen Limited and Scan Laser, and is concentrating on the information management services' market. Mr Barbour said: "We have accelerated the reorganisation and are incurring larger costs than anticipated."

Over the medium and long term, Mr Barbour said, the company would benefit from the changes and he remained confident of the fundamental strength and growth potential of the business.

In the half year to April 30, pre-tax profits fell marginally to £4.89m. Microgen's brokers, Laurence Prust, are now forecasting £9m for the year.

L&M set to benefit from County Hall development

By Nigel Clark

THE RE-DEVELOPMENT of County Hall in London, the former headquarters of the Greater London Council, is expected to begin in early 1991.

The planning inquiry for the mixed scheme valued at about £1.5bn started at the beginning of this month.

The offices are being developed by County Hall Development Group, in which London & Metropolitan, the property development group, has a 10 per cent stake.

L&M's project management company is engaged in setting up the redevelopment at County Hall.

When work on the scheme, which at present includes offices, a hotel, conference centre and apartments, begins it is expected to make a significant contribution to L&M's figures.

L&M also reported pre-tax profits for the six months to the end of June 39 per cent higher at £5.62m (£4.04m).

Mr Norman Ireland, chairman, said the period had been one of intense activity.

Mr David Lewis, managing director, said that the group had about £1bn of development work in the pipeline for the next five years.

Earnings per share were 7.2p (5.9p) and an interim dividend of 2.4p (1.95p) has been declared.

Bluebird Toys up 40% to £213,000

Bluebird Toys, the USM-quoted toy designer and manufacturer, produced a 41 per cent increase in pre-tax profits for the six months to end-June.

The increase lifts pre-tax profits up from £151,000 to £213,000 from turnover 33 per cent higher at £9.98m (£7.48m).

The company said that if all the important repeat orders reached the level anticipated the outcome for tha year would show further growth in both sales and profits.

Tax charged was £77,000 (£54,000) leavings earnings of 1.74p (1.31p) per 10p share. The company does not make an interim dividend payment.

NEWS DIGEST

Blockleys up but warns of downturn

WITH PRODUCTION benefiting from an increase in capacity the interim results of Blockleys, brick and clay paver manufacturer, reveal interim pre-tax profits showing a gain of 17 per cent to £3.03m in the six months to June 30.

However Blockleys said that despite its limited involvement in the volume housing market it was experiencing a reduction in demand for its products and anticipated that this year's results would show only marginal growth.

Trading profits for the period rose from £2.71m to £3.52m while interest was sharply up at £491,000 (£123,000). Tax took £1.08m (£929,000) leaving earnings of 7.98p (6.76p) for the 1.95p (1.75p) interim dividend.

Hawthorn Leslie ahead at £2.62m

Hawthorn Leslie, the broadly-based holding company with interests in mobile telecommunications, electronics and printing and packaging, lifted taxable profits from £1.28m to £2.62m in the first half of 1989.

Turnover for the USM-quoted company was ahead 39 per cent to £63.31m (£45.41m). Earnings per 3p share rose to 0.88p (0.5p) and the interim dividend is raised to 0.25p (0.2p).

Kitty Little static at £53,000 midway

Following a period of diversification Kitty Little, the USM-quoted fragrances manufacturer, reported pre-tax profits for the half-year to July 31 unchanged at £53,000.

The result was struck on a 36 per cent rise in turnover to £1.75m (£1.28m). Tax took £18,000 (£19,000) after which earnings per 5p share were left at 0.36p (0.4p) and directors have declared an interim dividend of 0.575p (0.5p).

The company said that concentration of sales effort in the first half on less seasonal products had resulted in an increase in UK turnover of 15 per cent to £1.2m.

Magnetic Materials sharply higher

More-than-doubled pre-tax profits were reported by Magnetic Materials, the USM-quoted magnetic component manufacturer, in the 12 months to end-June.

On sales ahead to £19.1m (£15.08m), including a three month contribution from the new US division, profits advanced from £555,000 to £1.16m. Interest charges amounted to £170,000, against a credit of £3,000 last time.

Earnings per 10p share expanded to 4.2p (2p) and a proposed final dividend of 2.1p lifts the total to 3p (2.9p).

The provision for the loss on disposal of the group's permanent magnet operations in August was taken below the line and accounts almost entirely for an extraordinary charge of £1.19m.

Setback for JE Crowther

John Edward Crowther (Holdings), the Huddersfield-based yarn spinner wholly-owned by JEC Investments, reported taxable profits 16 per cent lower at £872,521 in the 12 months to end-March 1989.

The downturn from the previous year's £1.04m came on turnover of £15.19m (£15.9m).

APG issues warning on short-term growth

Allied Partnership Group, the hire, distribution and building services company, reported taxable profits ahead from £2.55m to £3.27m in the first half of 1989. Turnover leapt almost 91 per cent to £63.52m.

However, Mr Martyn Rose, chairman, warned that short-term profits growth could be "restrained" by continued investment in markets which are set to prosper.

Last June, APG sold its 12.3 per cent stake in Caffyns, the motor dealer, realising £2.4m which was invested within mainstream activities.

An interim dividend of 1p (0.75p) is payable from earnings of 3.37p (2.65p) per share.

Lincat profit rise and US acquisition

Lincat Group, the USM-quoted designer and manufacturer of commercial catering equipment and clocks, reported a 28 per cent increase from £1m to £1.28m in pre-tax profits for the year to June 30.

Turnover last year rose 26 per cent to £9.8m; gross profits were £3.69m (£3.35m). Interest charges fell from £107,000 to £45,000). Tax charged was £449,000 (£362,000) leaving earnings at 12.39p (10.11p) for the dividend which, with a proposed final of 3.1p makes a total of 4.6p on the 10p ordinary.

With its figures the group announced the acquisition of Douglas Machines, one of the leading US manufacturers of commercial pan washers for the US bakery industry, for a maximum consideration of $703,434. It has disposed of LenElec Avamore and Abbey Clock, its loss-making and non-core subsidiaries.

Clifford Foods halved to £1.35m

Clifford Foods, milk and dairy products, fruit juices and convenience foods took a knock in the six months to June 30 with pre-tax profits tumbling from £2.68m to £1.35m on turnover which was up from £59m to £66m.

The statement said the reduction in margins, forecast at the AGM in May, was largely related to fruit juices with a drop in bottled milk volumes being a contributory factor. The company is taking forceful action to improve profitability. The second half-year is expected to be better than the first but profits will be substantially lower than those for 1988.

An unchanged interim dividend of 3.6p has been declared from earnings of 5.35p (10.5p); tax charged was £437,000 (£990,000).

UK COMPANY NEWS

Wace calls for £45m to reduce debt and expand

By John Thornhill

WACE GROUP, the pre-press services company, is to raise £44.6m by way of a two-for-seven rights issue to reduce borrowings and give the group greater flexibility to pursue its acquisition strategy.

Mr John Clegg, managing director, said Wace aimed to establish a dominant position in the pre-press industry in the UK, North America and continental Europe, but first had to strengthen its financial position.

This year Wace has spent heavily on developing a new pre-press centre in London and on making 12 acquisitions at a cost of over £30m. It has debt of more than £40m.

The company has highlighted Europe as an attractive area for expansion and is talking with several companies. Mr Clegg said: "We have spent the last 18 months looking in continental Europe and are confident we know the markets sufficiently well to make two or three acquisitions in the next three to six months."

He added that acquisition opportunities were also developing in the US where Wace has a strong presence through its Techtron subsidiary.

Fears about the health of the pre-press market surfaced last month when Parkway, the USM-quoted pre-press company, warned that it was trading below expectations. But Wace said yesterday that current trading was encouraging. "We are very confident about the future and the rights issue is a reflection of that confidence. We have an immense number of opportunities available," Mr Clegg said.

The rights issue has been fully underwritten by Laurence Prust and Citicorp Scrimgeour Vickers but Mr Clegg said the initial response from shareholders had been "superb."

Wace also announced yesterday that it would strengthen management by appointing four senior executives. Further appointments are expected soon.

In a falling market Wace shares shed 6p to 381p.

Gearing up as Plaxton hits £3.7m

By Andrew Hill

PLAXTON GROUP, the Yorkshire-based vehicle distributor and coach manufacturer, reported pre-tax profits of £3.7m in the six months to June 30.

The group only just failed to surpass the profits figure of £3.73m before tax in the nine-month period to the same date last year. The figures did not include any contribution from Henlys, the motor dealer chain which Plaxton bought in June for £47.8m cash.

The acquisition means the motor division's contribution should represent about half group profits, and most of turnover in a normal year. Plaxton has changed its year-end to bring itself into line with other car dealers.

Mr David Matthews, Plaxton's chairman, said the Henlys deal had pushed gearing up to about 50 per cent.

He added that the group was continuing to restructure its coach-making interests in the hope of expanding further into continental Europe.

Just under a year ago, Plaxton signed a joint agreement with Iveco, Fiat's commercial vehicle arm, to develop new express and tourist coaches. The deal included the purchase of Carrosserie Lorraine, Fiat's French coachbuilding subsidiary.

Plaxton is also involved in the contract hire and vehicle leasing market and bought Duple Services, a coach spares and repairs business, in July.

Turnover was £131.3m in the first half of 1989, against £139.84m in the equivalent nine-month period.

Earnings per share showed little change at 11.6p (11.7p) and the interim dividend is 3p (3.1p).

£6.6m buy for Broad St

BROAD Street Group is to pay a maximum £6.6m to acquire the McMillan Companies.

McMillan has interests in below-the-line marketing services for the business-to-business and consumer sectors.

For the six months ended June 30 McMillan made pre-tax profits of £150,000.

There will be an initial consideration of £1.55m cash, with further payments geared to profits over the four years ending 1992.

Joint US venture for ASH

By Clay Harris

AUTOMATED SECURITY (Holdings), the electronic security specialist, is to become joint owner of the leading US distributor of components used in such systems.

Arius, a US company in which ASH has a 50 per cent stake, has paid a total of $37.6m (£23.4m) for USSC and the distribution side of Artech. The other half of Arius is owned by Mr George Broady, who was previously chairman of Network Security Corporation, a former ASH associate.

The combined group will have 35 to 40 per cent of the US market for sales of such products as control panels. Its annual turnover, mostly sales to small and medium-sized installers, is expected to amount to $170m.

ASH's investment comprises $5m of convertible preferred stock and a $5m subordinated loan. Initially, only interest from the latter will show up in ASH's profit and loss account, but the group will consolidate 50 per cent of Arius's results once it moves into profits in about a year.

In the UK, ASH's interest in the security products distribution side is held through a 20 per cent stake in Gardiner Group, another quoted company.

ASH also announced the purchase of Merrion Holdings and Videoscan, two closed circuit television surveillance companies in the UK for up to £4.6m.

Mixed first half leaves BSG 14% ahead at £12.6m

By Richard Tomkins, Midlands Correspondent

A MIXED first half at BSG International, the Birmingham-based vehicle distribution and components group, left pre-tax profits 14 per cent ahead at £12.56m but earnings per share virtually static.

Mr Tom Cannon, managing director, said he was confident that the benefit of investments now being made would pay off next year.

In automotive components, the UK and French operations making mirrors and sunroofs were hit by increases in the price of aluminium and zinc which they were unable to pass on.

However, a strong performance from Britax Vega, which produces rear light clusters from a new factory in Droitwich, near Worcester, helped lift the division's trading profits to £4.21m (£3.98m).

The consumer and special products division had to bear development costs at Rumbold, which is to supply Boeing with aircraft toilet cubicles.

But good performances from the overseas companies making childcare products took trading profits ahead from £2.42m to £3.74m.

Turnover on continuing operations rose from £270.8m to £318.8m in the six months to end-June.

Trading profits were ahead 16 per cent at £14.23m (£12.28m), but after interest payable of £1.71m (£1.24m) and a steep rise in the tax charge from 27 per cent to 35 per cent, earnings per share were barely ahead at 4.06p (4.03p).

The interim dividend is raised to 0.7p (0.68p).

Tom Cannon: confident that investments would pay off next year

● COMMENT

Forecasts of BSG's profit have been trimmed back to £26m in the wake of the first-half difficulties, leaving the prospect of static earnings for the full year: but the share price, down just 1p yesterday at 81p, is looking further ahead. Next year has long been touted as the year of the great leap forward, when Rumbold starts fulfilling its Boeing contract, when start-up costs from several new plants are lost from the reckoning, when new orders such as the Australian mirror company's contract to supply Ford are in full swing, and when the rising tax charge has flattened out. On that basis a 20 per cent increase in earnings is not too much to expect for 1990, taking the p/e multiple back to 8: and if that sounds like the familiar jam tomorrow story, the sight of Sir Ron Brierley's IEP with 11 per cent of the equity suggests that someone will be around to hold the spoon.

Lilley lifts stake in Tilbury to 29.99%

By Nikki Tait

LILLEY, which last week lost its £137m bid battle for control of fellow construction group, Tilbury, announced that it has acquired a further 1.28m shares in its former target.

This, coupled with shares acquired during the course of the bid, takes its stake to 6.1m shares, or the maximum 29.9 per cent that it can now buy.

The formal comment from Mr Bob Rankin, chief executive, was that the latest purchases "reinforced" Lilley's position, and "will ensure that the Lilley board can consider the full range of options with regard to its shareholding in Tilbury".

The company has yet to make clear whether it intends to remain a long-term shareholder in Tilbury.

GRANVILLE
SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
342	295	Ass. Brit. Ind. Ordinary	342	0	10.3	3.0	9.2
38	28	Armitage and Rhodes	31	0	-	-	-
210	149	Bardon Group (SE)	197	0	4.3	2.2	29.1
125	105	Bardon Group Cv. Pref. (SE)	121xd	0	6.7	5.5	-
123	85	Bray Technologies	85	0	5.9	6.9	7.5
110	105	Brenhill Conv. Pref	105	0	11.0	10.5	-
104	100	Brenhill 8¼% New C.C.R.P	104	0	11.0	10.6	-
305	285	CCL Group Ordinary	288	0	14.7	5.1	3.6
176	168	CCL Group 11% Conv.Pref	168	0	14.7	8.8	-
225	140	Carbo Plc (SE)	225	0	7.6	3.4	13.2
110	109	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
7.5	3.125	Magnet Gp Non-Voting A Cnv*	3.75	-0.125	-	-	-
5	1.375	Magnet Gp Non-Voting B Cnv*	1.9	0	-	-	-
130	115	Isis Group	128	0	8.0	6.3	7.3
145	68	Jackson Group (SE)	117	0	3.6	3.0	13.6
322	261	Multihouse NV (AmstSE)	295	0	-	-	-
158	98	Robert Jenkins	156	0	10.0	6.4	5.7
467	365	Scruttons	365xd	-5	18.7	5.1	9.7
298	270	Torday & Carlisle	298	+2	9.3	3.1	10.4
117	100	Torday & Carlisle Cnv Pref	110	0	10.7	9.7	-
122	92	Trevian Holdings (USM)	109	-4	2.7	2.5	11.7
138	106	Unistrut Europe Conv Pref	138xd	0	9.3	6.7	-
395	355	Veterinary Drug Co. Ltd	383	-2	22.0	5.7	9.4
370	327	W.S Yeates	329	0	16.2	4.9	27.4

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Fine Art launches offer for Australian group

By John Thornhill

FINE Art Developments, the greeting cards manufacturer and distributor, is to buy a further block of shares in Bell & Howell Australia Group, a producer of mail handling inserting equipment, and make an offer for the rest of the company.

Fine Art will buy 10.99m BHAG shares at 50 cents apiece from Edworth, a subsidiary of Bell & Howell (USA). This represents 47.7 per cent of the company's capital and will add to the 13.8 per cent that Fine Art already owns.

An offer for the rest of BHAG's shares will be made at the same price subject to approval from the Foreign Investment Review Board. The offer values BHAG at about A$13m (£6m).

North Sea Assets

North Sea Assets has sold its 49 per cent of Submersible Television Surveys to funds managed by Northern Venture Managers for £333,000 cash.

Separately, British Underwater Engineering, an NSA subsidiary, has purchased the outstanding 18 per cent minority interest in HMB Subwork for £90,000 cash from Colonial Mutual Group. HMB has agreed terms for the purchase of six remote operated vehicles for underwater inspection from Netherlands-based Volvox Marine Services for £172,000.

Mosaic secures £3.5m acquisition

By Andrew Hill

MOSAIC Investments, the acquisitive industrial holding company, is to buy the group which designs, makes and sells the Autolok mechanical car security device.

Mosaic will pay an initial £3.48m in cash, shares and loan notes for Oldham-based T Turner. It is also buying Demart, a dormant company which owns the UK patent rights to Autolok, a device which locks a car's handbrake to its gear lever.

A further £2m in shares could be paid, depending on profits up to April 1992.

Of the initial £3.48m, £1.25m will be paid in new Mosaic ordinary shares, £1.75m in loan notes and the balance of £480,000 in cash.

In the year to August 31 1988, Turner made profits of £461,000 before tax. The company's vendors have guaranteed that net tangible assets will be worth at least £500,000 on completion.

Opec oil ministers study radical Iranian quota plan

By Steven Butler in Geneva

OIL MINISTERS of the Organisation of Petroleum Exporting Countries meeting in Geneva were last night studying an Iranian proposal for a radical redistribution of production quotas among Opec members.

The proposal was aimed at breaking a deadlock among member countries over whether to lift the Opec production ceiling and how to deal with Kuwaiti demands for a special increase in its quota.

But the proposal, if accepted, could also solve a number of longer-term problems and confirm a shift in power in the organisation to the big Gulf producers.

A meeting of Ministers scheduled for 5 pm was delayed until this morning to give ministers more time to consider the proposal, which was given to the meeting yesterday morning.

The proposal would involve a substantial boost in the Opec production ceiling, to above 21m b/d, in which Kuwait and the United Arab Emirates would receive a bigger than average increase in their quotas. This had been demanded by both countries, which have violated their quotas by big margins this year. Gabon, Qatar and possibly Ecuador may also receive a special quota boost.

Iran, Iraq, and Saudi Arabia would not sacrifice quota shares under the proposal, and it is understood that the proposal is being considered favourably by these countries. However, Venezuela, Nigeria, Indonesia, Algeria, and possibly Libya would have to give up quota shares in exchange for a promise of higher oil prices, and it is as yet unclear how they would react to the proposal.

Although Indonesia and Algeria are thought to unable to produce significantly more oil and are interested strictly in higher prices, this is clearly not the case for Venezuela or Libya.

Libya has in fact demanded at the meeting that it be awarded a similar increase to any awarded to Kuwait and on Monday vigorously opposed allowing Kuwait to sign a production agreement with reservations that in effect would allow it to produce above its quota limit.

If world oil consumption continues to grow as it has in recent years, countries outside of the Gulf, with the possible exception of Venezuela, would soon in any case run out of spare capacity, leaving Saudi Arabia, Iran, Kuwait, Iraq, and the United Arab Emirates to satisfy world demand. The Iranian proposal would in effect accelerate this process and leave the Gulf countries completely dominating Opec.

However it could run into trouble in countries like Venezuela, where maintenance of quota shares has been a sensitive political issue. As a possible concession Opec might offer to overlook Venezuelan production of condensates or very heavy crude oils.

Stable aluminium prices forecast

By Robert Gibbens in Montreal

MR DAVID Morton, chairman of Alcan Aluminium, says normal construction delays on about 1m tonnes of primary industry expansion will encourage more stable aluminium prices until 1993-94.

Provided the Western economies managed a "soft landing", relative stability in ingot around the present 82 cents US North American producer price is possible, with beneficial effects for both producers and users. The high of US$1.12 per lb was set last spring.

The major expansions under way are in Quebec and Venezuela and will take world primary capacity to nearly 18m tonnes, assuming some high cost plants are phased out.

Growth in demand will average about 2 per cent a year, which will require annual increases of nearly 300,000 tonnes in ingot capacity.

"We don't see any overbuilding of capacity and steady market growth should absorb present projects without difficulty," says Mr Morton. Industry capacity is still almost fully used.

"What we need most is to achieve price stability."

The world now produces 18m tonnes a year of primary and secondary products and recycles 28 per cent. Recovery technology will enable the industry to design products specifically for easy recycling.

"Soon we will be leasing metal, taking it back after a product has completed its life," Mr Morton predicts.

Revitalising Caribbean farming

Canute James on a study of the region's ailing agricultural sector

THE COUNTRIES of the Caribbean Economic Community, like many others in the Third World searching for development by widening the bases of their economies, have attempted to ease their dependence on agriculture by encouraging other sectors.

Although for many agriculture remains an economically and socially important sector, it has become a poor relation in national planning.

The 13 members of the community are attempting to redress this imbalance. The community's secretariat has made a detailed study of the ills of the region's agriculture and has suggested what needs to be done. The findings – and the suggested solutions – apply to other parts of the world.

Mr Roderick Rainford, secretary general of the community, said: "One of the most alarming features of our economies has been our high dependence on food imports. Our agricultural production and export levels have been far below what is needed to achieve a balance in the trade of such goods. The region is in an ongoing state of food insecurity.

"While there has been substantial growth in the trade of fruit, vegetables and root crops, the deficits for almost all other categories (such as meats, fish and cereals) remain large."

The need for increased emphasis on agricultural development has been brought on not simply because it is considered a sector which has been unfairly neglected.

The 13 members of the community, which has a population of 5.5m, have been spending more than $1.2bn a year on importing food and inputs for the agriculture sector. Earnings from exports, mainly traditional products such as sugar and bananas, have fallen to less than a half of this.

The study confirms a decline in agricultural output since 1960, and argues that the level of foreign spending on substitute agricultural products remains unacceptably high.

"Many of the imported products are highly subsidised in the exporting countries and are, in all likelihood, dumped on world markets," it says.

Examining the problems which bedevil attempts to increase production in the region, the secretariat says output and marketing are "highly skewed" in favour of traditional export and large scale enterprises, while the small farm sector, the backbone of production for domestic consumption, is under-capitalised.

The structure of land use also works against expanded efficient production because of the increased fragmentation of already small holdings, the under-use of large holdings and insecure tenurial arrangements.

In addition disparities in wages paid in agriculture, compared with those paid in other sectors such as mining, tourism and distribution, have made it difficult for the region's agricultural sector to attract technical and entrepreneurial skills.

Once the farmer produces, he faces more problems in marketing his output because of poor physical infrastructure and a high degree of post harvest loss. This is compounded by the impact of rising incomes and cultural changes in urban centres, his major market, which lead to a preference for imported, packaged, processed and convenience foods.

If the governments of the community's member states implement the suggestions from the secretariat, the region could see greater attempts at securing more of its food from within the Caribbean, but at prices which are competitive and reasonable to consumers, while being remunerative to producers.

The study urges greater emphasis on diversification of agricultural output within the region to substitute for some imports and also to meet changes in consumer tastes. Regional markets could be further expanded, it argues, through linkages with other sectors, such as tourism, while expanded production in the region of inputs such as fertilisers, feeds, equipment, implements, planting materials and breeding stock would increase the local added value of the sector.

Increased incentives for agricultural workers and more financial resources directed to technology and training in the sector would improve skills and cut losses incurred in harvesting and marketing.

But implementing some of these changes will not be easy. Several countries in the region have a long history in the production of major export commodities, and all have a significant small farming sector. They would consequently face problems in extensively producing different, non-traditional crops both for export and for substituting several products which are imported.

The Windward Islands, which provide about two thirds of the bananas consumed in Britain, are threatened with the loss of their protected market to cheaper Latin American fruit with the creation of a single European market after 1992.

Mr Byron Blake, the community's director of economics, said: "The Europeans have told the Caribbean banana producers that the best way of handling the threat is to diversify and produce other crops. But the farmers in the islands have been so long involved with bananas alone that changing is difficult. Diversification is not easy."

In other cases making significant changes would demand the establishment of a new range of linked industries. Many Caribbean countries are either close to or self-sufficient in poultry production. But about two thirds of the value of output from the poultry industry consists of imported animal feed or its ingredients.

The geography of the region in most cases also works against dramatic changes in the patterns and content of agriculture. Most islands are hilly with few large contiguous tracts of arable land.

Mr Rainford is optimistic, however, that significant improvements can be made.

"We have not yet made the transition from economies which are largely dependent on a few traditional exports to ones in which agriculture plays the dynamic role of feeding the population, providing a flow of raw materials to industry and generating sufficient surpluses which can be ploughed back into agriculture itself as well as into other expanding sectors."

Philippines sugar boost predicted

PHILIPPINES SUGAR production will rise sharply over the next two years because of increased cane plantings and higher prices, sugar officials and producers said, reports Reuter from Manila.

The Sugar Regulatory Administration forecast that output would rise to 1.7m tonnes in the current crop year that began on September 1 from 1.59m in the 1988-89 season.

The sugar agency gave no estimate for the 1990-91 crop year, but the National Federation of Sugarcane Planters predicts output will hit 2.1m tonnes.

Mr Arsenio Yulo, chairman of the administration, said that apart from high world sugar prices, the recent increase by the US in its global import quota would also boost the sugar industry in the Philippines.

Cash boost for EC 'set-aside' scheme

By Tim Dickson in Brussels

STRONGER DEMAND from farmers for the European Community's controversial "set aside" programme is anticipated following yesterday's agreement by EC Ministers on a proposal to improve the financial incentives.

The scheme – under which producers are paid to take arable land temporarily out of use – was introduced last year as a complement to the much trumpeted "stabilisers" package of quantity restrictions and price penalties for most of the EC's commodity regimes.

The take-up rate, however, has been disappointing with less than 30,000 participants and only 250,000 hectares set aside, according to figures disclosed by the Commission in April this year.

EC Farm Ministers yesterday endorsed a Commission proposal increasing the amount of compensation that national governments can claim out of the Community budget. At the moment 50 per cent of the "income" paid by member states to their farmers can be reimbursed from Brussels up to a limit of Ecu200 (£130) per hectare; 25 per cent can be reclaimed on payments between Ecu200 and Ecu400 per hectare; and only 15 per cent between Ecu400 and Ecu600.

In future the EC budget will pass back 60 per cent of the amounts up to Ecu300 per hectare, and 25 per cent of total between Ecu300 and Ecu600.

The hope is that the improved terms will lead member states to increase payment to producers taking advantage of the scheme.

Malaysia in skirmishes over environment

Lim Siong Hoon outlines the "green" pressures on the country's logging industry

TROUBLE HAS boiled up again in the Malaysian jungles, between Penans, a nomadic tribe backed by environmentalists at home and abroad, and loggers backed by the Malaysian Government.

The confrontation is also developing into a major trade issue affecting Malaysian timber exports, the second biggest commodity earner, accounting for 7 per cent of the gross domestic product.

The police have arrested 71 Penans so far; 63 of them, police said, are now held in jail for disrupting logging operations. The tribesmen were picked up at four logging sites in the East Malaysian state of Sarawak over the past week. They had combined to mount human blockades to prevent access to the sites.

Several times over the past three years, this tribe of hunter-gatherers have banded together in a concerted effort to stop the logging that has torn out jungle areas they say are their traditional homeland and hunting ground.

The confrontation between the Penans and the Malaysian Government is also evolving into an international issue, but the government has remained defiant.

This month, the Malaysian-based World Rainforest Movement – an international group of non-governmental organisations – petitioned the UN General Assembly to respect the jungle dwellers, like Penans, and to halt the destruction of the jungles. The cause has also been taken up by the UN Food and Agricultural Organisation.

To counter any international repercussions, Malaysia has initiated its own campaign at home and abroad.

Mr Mahathir Mohamad, the Prime Minister, chose the Belgrade conference of the Non-Aligned Movement early this month, for the firing of the first salvo. He said the jungle preservation advocated by Western environmentalists was partly aimed at keeping out the cheaper tropical timber from the markets of temperate softwood. The Penans, he said, were "unfortunate people" exploited by "crusading" environmentalists who wanted the tribe kept as ill-fed and disease-ridden "museum pieces."

Japan, the biggest importer of Malaysian wood, has also been drawn into the fight, according to Mr Ghafar Baba, the Deputy Prime Minister. He said this month that there was an international campaign to persuade Japan against buying Malaysian timber.

Almost simultaneously, Mr Lim Keng Yaik, the Primary Industries Minister, said pro-environment proposals were being circulated in the European Community and the US to punish tropical logging in two ways: imposing high import tariffs on the wood, and withdrawing import preference treatment from Malaysian goods.

Mr Lim has been spending the past week in Indonesia to seek its support.

Despite the rhetoric, the Malaysian Government has announced new taxes on timber exports beginning next March. Ostensibly, they are meant to reduce exports so that the timber is made more easily available for local processing into furniture and other uses.

The future of the timber exports is not the only concern however. International support for preserving the jungle could seriously jeopardise Malaysia's agricultural programme to clear more land for oil palm, rubber and cocoa, the three major crops.

The World Bank last year gave Malaysia a US$300m loan for palm oil projects. And last week, Pernas, the state-owned company, announced plans to clear 9,000 hectares for new plantings. Within another five years, it wants to open 32,000 hectares more for oil palm and other crops.

As if to win over international support for these efforts, the Primary Industries Ministry has begun advocating tree crop cultivation, instead of field crops like soyabeans, as an example of "sustainable forest management" that contributes to carbon recycling and earth fertility.

WEEKLY METALS PRICES

Prices supplied by Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,800-1,850 (1,770-1,850).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 4.45-4.80 (4.30-4.60).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 5.70-6.00 (5.00-5.60).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.35-7.60 (7.35-7.55).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 220-240 (215-230).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.30-3.35 (3.33-3.38).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 5.20-5.75 (4.70-5.30).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 48-62 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 4.50-4.80 (4.85-5.00).

URANIUM: Nnexco exchange value, $ per lb, UO, 9.80 (same).

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices came under pressure from stale-bull liquidation, stop-loss selling and further fresh selling in the morning on the LME. In the afternoon the downtrend was fuelled by a decline on Comex where December breached support at 122 cents a lb. Cash copper closed at £1,697 a tonne, down £53.50, and at a discount to three-month metal of £10.50 compared with Monday's £5 a tonne. In contrast tin prices advanced as light covering emerged induced by renewed weakness in the dollar against sterling. Some analysts appear mildly bullish over the short term, although there appears to be moderate potential chart resistance around $8,250 to $8,300 a tonne. Coffee prices were mixed. Little significant news emerged from the second day of the International Coffee Organisation meeting, traders said.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.45-5.60q	+0.05
Brent Blend	$17.40-7.50w	-.025
W.T.I. (1 pm est)	$19.50-9.55q	+0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$215-217	-1
Gas Oil	$169-170	+1
Heavy Fuel Oil	$92-93	+½
Naphtha	$150-152	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$367.75	+0.75
Silver (per troy oz)♣	531c	+3
Platinum (per troy oz)	$484.25	-0.75
Palladium (per troy oz)	$141.25	-1.05
Aluminium (free market)	$1715	
Copper (US Producer)	142⅝-144c	
Lead (US Producer)	40.5c	
Nickel (free market)	505c	
Tin (Kuala Lumpur market)	21.49r	-0.01
Tin (New York)	374.5c	-4.0
Zinc (US Prime Western)	80.25c	
Cattle (live weight)†	115.44p	+1.32*
Sheep (dead weight)†	145.01p	+5.48*
Pigs (live weight)†	100.58p	-4.70*
London daily sugar (raw)	$355.4y	-1.0
London daily sugar (white)	$432.5y	-0.5
Tate and Lyle export price	£335.5	-1.0
Barley (English feed)	£108.5x	
Maize (US No. 3 yellow)	£123w	
Wheat (US Dark Northern)	£123.5	-0.5
Rubber (spot)♥	57.25p	+0.25
Rubber (Nov)♥	60.25p	-0.25
Rubber (Dec)♥	61.00p	-0.25
Rubber (KL RSS No 1 Oct)	226.5m	-10.0
Coconut oil (Philippines)§	$510v	
Palm Oil (Malaysian)§	$327.5w	
Copra (Philippines)§	$315	
Soyabeans (US)	£174	+1
Cotton "A" index	81.85c	+0.80
Wooltops (64s Super)	597p	-3

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec. t-Aug/Sep. v-Sep/Oct. w-Oct. q-Nov. z-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Sep	740	735	744	725
Dec	788	781	792	778
Mar	753	746	757	748
May	757	753	761	753
Jul	772	768	771	
Sep	790	784		
Dec	810	810	810	

Turnover: 3259 (2988) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Sep 22 895.79 (896.02): 10 day average for Sep 27 911.99 (916.48)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Sep	755	753	757	751
Nov	764	765	774	761
Jan	772	777	792	769
Mar	790	793	799	790
May	810	812	817	808
Jul	828	827	831	830
Sep	848	845	845	

Turnover: 2609 (2069) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Sep 25: Comp. daily 67.94 (67.56). 15 day average 69.28 (69.53)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	323.00	323.80	325.00	318.40
Dec	319.00	318.00	318.00	
Mar	314.40	316.20	317.00	310.00
May	309.00	310.80	311.20	306.00
Aug	302.80	303.60	304.00	301.00
Oct	290.00	290.00	290.00	289.00
White	**Close**	**Previous**	**High/Low**	
Dec	403.00	408.00	407.50	402.00
Mar	395.00	398.50	400.00	393.00
May	394.00	397.00	394.50	392.50
Aug	393.00	395.50		
Oct	379.00	383.00		

Turnover: Raw 8192 (9900) lots of 50 tonnes. White 1301 (1722).
Paris- White (FFr per tonne): Dec 2598, Mar 2545, May 2535, Aug 2525, Oct 2425, Dec 2415.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Nov	17.49	17.47	17.55	17.30
Dec	17.50	17.43	17.53	17.30
Jan	17.38	17.28	17.38	17.25
IPE Index	17.38	17.57		

Turnover: 8537 (4814)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Oct	167.25	168.75	167.25	165.50
Nov	166.25	165.75	168.50	164.75
Dec	165.25	164.50	165.25	163.25
Jan	164.00	162.75	163.50	162.00
Feb	160.50	158.50	160.00	158.75
Mar	154.00	154.00	154.00	
Apr	151.50	151.00	151.50	
May	152.00	152.00		
Jun	152.00	152.00		

Turnover 6151 (7719) lots of 100 tonnes

COTTON
Liverpool- Spot and shipment sales for the week ended 22 September amounted to 384 tonnes against 698 in the previous week. Trading was very low with only small orders made in West African growths.

JUTE
C and f Dundee: BTC $600, BWC $500, BTD $460, BWD $460, c and f Antwerp: BTC $475, BWC $475, BTD $445, BWD $435.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 20,850 tonne
Cash	1707-10	1700-3		1691-2		
3 months	1705-10	1702-5	1710/1690	1685-6	1710-5	32,203 lots
Copper, Grade A (£ per tonne)						Ring turnover 73,250 tonne
Cash	1696-8	1750-1	1703/1702	1702-3		
3 months	1707-8	1755-6	1717/1695	1713-4	1709-10	70,592 lots
Lead (£ per tonne)						Ring turnover 14,125 tonne
Cash	449-50	460.5-1	453/450	452-3		
3 months	449-50	458.5-60	455/450	451-2	450-1	12,954 lots
Nickel ($ per tonne)						Ring turnover 1,452 tonne
Cash	10875-900	10900-25	10925/10825	10825-50		
3 months	10550-600	10525-50	10575/10500	10525-50	10550-600	5,831 lots
Tin ($ per tonne)						Ring turnover 390 tonne
Cash	8130-50	8000-20		8090-110		
3 months	8210-20	8080-100	8230/8100	8170-80	8225-30	5,470 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 11,925 tonne
Cash	1650-60	1665-70	1643/1640	1643-5		
3 months	1643-5	1645-50	1642/1632	1632-5	1640-2	14,435 lots
Zinc ($ per tonne)						Ring turnover 3,750 tonne
Cash	1605-15	1590-610		1595-605		
3 months	1575-85	1575-85	1575/1570	1570-5	1580-5	4,968 lots

LME Closing £/$ rate: SPOT: 1.6205 3 months: 1.6014 6 months: 1.5846 9 months: 1.5686

POTATOES – BFE £/tonne

	Close	Previous	High/Low	
Nov	137.0	167.5	138.5	137.0
Feb	167.0	165.0		
Apr	204.5	200.5	204.5	199.2
May	231.0	227.5	227.0	223.0

Turnover 351 (425) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low	
Oct	144.00	146.00		
Dec	140.50	142.00	141.00	
Feb	142.00	144.00	141.50	
Apr	142.00	-	142.00	141.50

Turnover 27 (9) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low	
Sep	1417	1417	1411	1410
Oct	1475	1465	1475	1459
Jan	1550	1541	1550	1539
Apr	1582	1580	1592	1580
Jul	1393	1389	1389	
BFI	1420	1424		

Turnover 190 (196)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low	
Nov	106.95	106.90	106.95	106.80
Jan	111.00	110.95	111.10	110.80
Mar	114.15	114.10	114.00	
May	117.30	117.10	117.35	117.00
Jun	118.75	118.60		
Barley	**Close**	**Previous**	**High/Low**	
Nov	103.30	103.25	103.25	103.10
Jan	107.45	107.50	107.45	
Mar	110.35	110.40	110.40	110.25
May	112.40	-	112.40	112.25

Turnover: Wheat 101 (237), Barley 156 (24). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	132.5	133.0	132.0
Nov	135.5	136.0	135.0
Feb	124.0	125.5	
Apr	124.5	125.5	
Jun	122.0	122.5	121.5
Aug	118.0	-	114.5

Turnover 32 (30) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	367½-368	226¾-227¼
Opening	366¾-367¼	227½-228
Morning fix	366.6	227.039
Afternoon fix	368	227.020
Day's high	368½-369	
Day's low	366½-367	
Coins	**$ price**	**£ equivalent**
Mapleleaf	377-382	233-236
Britannia	377-382	233-236
US Eagle	377-382	233-236
Angel	377-382	233-236
Krugerrand	366-369	226-228
New Sov.	86½-87½	53½-54¼
Old Sov.	86½-87½	53½-54¼
Noble Plat	490.05-497.60	304.55-309.4
Silver fix	**p/fine oz**	**US cts equiv**
Spot	327.05	528.25
3 months	338.50	538.10
6 months	350.30	550.05
12 months	372.95	573.75

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
1600	127	122	5	22
1700	53	62	30	60
1800	14	26	89	121
Copper (Grade A)	**Calls**		**Puts**	
2650	160	160	48	113
2750	101	114	87	164
2850	59	70	143	226
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
750	36	72	22	52
800	17	50	53	60
850		33		110
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700		83		30
750	64	56	26	53
800	38	38	50	83
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
1700	61	82	13	36
1750	28	53	29	57
1800	10	33		

US MARKETS

IN THE METALS, gold and silver trading featured sideways action as consolidation took place, reports Drexel Burnham Lambert. Platinum prices were higher for most of the day as trade buying provided strength. Copper was down sharply as major support levels were broken. The December contract lost over 3 cents. In the softs, sugar closed weak after an uneventful day. Trade activity kept cocoa prices up while the coffee market was again dull. The grains had lower prices in the soy complex on better weather conditions in the mid-west U.S. Wheat futures rose slightly on upcoming Egyptian tender business. Corn trading was slow. The energy complex was mixed as many await fresh news out of Opec to provide direction. In the livestocks, higher cash prices helped firm up cattle futures while belly and hogs were mixed. Cotton prices slipped as trade selling pressured the market.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	368.5	369.8	0	0
Oct	368.9	370.3	370.8	368.6
Nov	371.3	372.7	0	0
Dec	373.1	374.6	375.3	373.0
Feb	377.1	378.6	379.5	377.0
Apr	381.2	382.7	383.0	381.2
Jun	385.4	386.9	386.5	386.5
Aug	389.5	391.0	390.3	390.2
Oct	393.7	395.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	490.9	486.1	495.5	484.2
Nov	491.9	486.9	0	0
Jan	493.9	490.9	498.0	487.6
Apr	496.9	493.9	501.0	491.0
Jul	499.9	496.9	502.0	502.0
Oct	503.4	500.4	505.5	505.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	526.3	528.3	531.0	526.0
Oct	527.2	529.2	0	0
Nov	531.6	533.6	0	0
Dec	535.5	537.5	542.0	534.0
Jan	538.5	540.6	0	0
Mar	547.8	549.6	554.0	546.0
May	556.0	558.0	560.0	555.0
Jul	564.7	566.7	567.0	566.0
Sep	573.2	575.2	0	0
Dec	585.4	587.4	589.5	586.0

INDICES

REUTERS (Base: September 18 1931 = 100)				
	Sept 25	Sept 22	mnth ago	yr ago
	1871.2	1896.8	1913.9	1863.6
DOW JONES (Base: Dec. 31 1974 = 100)				
Spot	130.36	129.67	130.30	132.25
Futures	130.83	130.84	130.70	133.97

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	130.70	133.60	131.70	130.10
Oct	122.90	125.60	122.50	122.60
Nov	121.40	124.30	0	0
Dec	119.70	122.80	121.30	118.90

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	19.53	19.46	19.60	19.20
Dec	19.40	19.32	19.45	19.09
Jan	19.28	19.21	19.33	19.02
Feb	19.16	19.08	19.20	18.90
Mar	19.06	18.95	19.10	18.84
Apr	18.91	18.88	18.91	18.73
May	18.89	18.81	18.90	18.70
Jun	18.70	18.75	18.75	18.68
Jul	18.66	18.70	18.70	18.62

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	5745	5751	5765	5660
Nov	5800	5799	5825	5720
Dec	5840	5832	5860	5765
Jan	5795	5768	5800	5725
Feb	5650	5633	5650	5595
Mar	5400	5393	5400	5390
Apr	5195	5168	5195	5130
May	5010	5016	5015	4965
Jul	4915	4893	4910	4900

COCOA 10 tonnes; $/tonnes

	Close	Previous	High/Low	
Dec	1087	1087	1097	1077
Mar	1086	1087	1092	1077
May	1100	1093	1107	1095
Jul	1116	1103	1116	1110
Dec	1156	1145	1160	1160

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	81.91	81.20	82.75	81.58
Mar	84.10	83.54	84.75	83.95
May	86.30	86.00	86.50	86.20
Jul	88.53	88.00	89.00	88.25
Sep	90.60	89.75	90.95	90.10
Dec	94.00	93.00	93.75	92.75

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	14.69	14.82	14.82	14.49
Jan	13.48	13.70	0	0
Mar	14.10	14.21	14.21	13.93
May	13.89	13.95	13.94	13.70
Jul	13.72	13.76	13.73	13.63
Oct	13.17	13.07	13.21	12.98

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	73.00	73.15	73.35	72.85
Dec	72.68	73.46	73.52	72.65
Mar	73.46	74.25	74.35	73.45
May	74.55	74.65	75.05	74.50
Jul	74.40	74.75	74.80	74.40
Oct	70.00	69.80	69.95	69.75
Dec	66.75	66.28	66.80	66.60

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	139.40	138.00	139.50	137.30
Jan	135.45	135.00	136.50	134.75
Mar	134.50	134.60	135.00	134.40
May	134.00	133.75	0	0
Jul	133.40	133.30	0	0
Sep	132.80	132.80	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	566/2	572/4	576/0	565/0
Jan	579/2	583/6	587/0	578/0
Mar	591/2	597/2	600/0	591/0
May	600/6	606/2	609/0	600/4
Jul	609/4	611/2	613/4	605/4
Aug	604/0	606/0	609/4	604/0
Sep	590/0	591/0	594/4	590/0
Nov	587/4	590/4	591/0	584/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	18.98	19.16	19.16	18.89
Dec	19.47	19.61	19.63	19.35
Jan	19.73	19.87	19.88	19.61
Mar	20.12	20.28	20.33	20.05
May	20.46	20.56	20.70	20.45
Jul	20.85	20.97	20.85	20.75
Aug	20.82	20.97	20.80	20.65
Sep	20.82	20.95	20.80	20.65

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	184.7	187.1	189.7	184.5
Dec	179.3	182.4	184.3	179.1
Jan	178.3	181.1	183.2	178.2
Mar	177.5	180.1	182.0	177.5
May	177.2	179.2	180.5	177.2
Jul	175.3	177.5	179.5	175.0
Aug	175.0	176.5	178.5	175.0
Sep	173.2	173.5	177.0	173.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	229/6	230/4	231/2	229/4
Mar	237/4	238/0	238/6	237/2
May	243/0	243/0	244/2	242/4
Jul	246/0	245/6	247/2	245/4
Sep	238/4	239/4	241/0	238/4
Dec	236/4	237/2	238/0	235/4
Mar	244/0	244/6	0	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	394/2	390/2	394/4	391/0
Mar	394/0	389/6	394/0	390/6
May	375/0	372/2	375/6	373/0
Jul	349/4	346/0	349/6	347/0
Sep	353/0	350/6	354/4	353/0
Dec	362/4	359/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	72.07	71.07	72.45	71.35
Dec	74.32	73.52	74.57	73.82
Feb	73.87	73.37	74.02	73.60
Apr	74.42	73.87	74.50	74.05
Jun	71.87	71.47	72.00	71.65
Aug	70.40	70.02	70.57	70.30

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	43.42	43.15	43.70	43.25
Dec	44.17	44.22	44.55	43.95
Feb	44.82	45.10	45.20	44.65
Apr	42.32	42.55	42.80	42.25
Jun	47.22	47.30	47.35	46.87
Jul	47.70	47.60	47.70	47.30
Aug	46.10	46.00	46.20	46.00
Oct	42.90	43.00	43.10	42.80

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	48.60	48.20	49.10	48.25
Mar	48.40	48.22	48.90	48.20
May	49.12	48.22	49.60	48.95
Jul	48.65	49.30	49.55	48.40
Aug	47.60	48.07	48.15	47.50

LONDON STOCK EXCHANGE

Trade deficit news depresses equities

Account Dealing Dates		
*First Dealings:		
Sep 4	Sep 18	Oct 2
Option Declarations:		
Sep 14	Sep 28	Oct 12
Last Dealings:		
Sep 15	Sep 29	Oct 13
Account Day:		
Sep 25	Oct 9	Oct 23

*New time dealings may take place from 9.00 am two business days earlier.

THE UK equity market reacted strongly to the deficit of £2bn on the current trade account for last month. The deficit, well in excess of the worst of market forecasts, extinguished any remaining hopes of an early cut in UK base rates and revived all the market's fears that domestic rates might even be forced higher.

However, the blow to market sentiment and to share prices was softened to some extent by sterling's success in holding relatively firm, after a brief dip following the trade figures announcement.

The reaction of equities was all the greater because share prices were moving firmer ahead of the news, which compared with forecasts in the City of London of a figure of around £1.5bn.

However, market indices were distorted throughout yesterday's session by the performance of shares in BAT Industries, which soared ahead at first on the board's plans to demerge parts of the group's operations but lost most of the gain when the Hoylake consortium said it would vote in favour of the plan.

The Footsie Index, nearly nine points ahead as the market awaited news of the trade figures, reacted rapidly to the official announcement, and to the consequent rise above 14 per cent in London three-month money rates. At worst the index was down by 27.2 and a modest rally was unshipped, partly by the late reaction in the BAT share price.

At its final reading of 2,336.1, the FT-SE Index showed a net fall on the day of 23.5 points. With the 2,330 support level now apparently brushed aside, some UK chart analysts fear a reaction in the market all the way down to the 2,170 area.

The market was clearly jolted out of the apathy reflected in low market turnover which has reawakened worries over the viability of securities trading firms. Seaq volume jumped to 450.8m shares from Monday's 281.2m. Traders admitted that there was some "serious selling", although selling pressure was stemmed by marking down operations by market makers.

Mr John Reynolds, economist at Prudential Bache, commented that the outlook for sterling remains the key to domestic interest rate prospects. Now that any near term reduction in base rates seems less likely, the stock market fears that UK building societies will be forced to raise home loan charges.

Interest rate and currency worries lay heavily across the range of the market yesterday. Blue chip internationals fell back and there was a similar list of losers among retail stocks, which could be hit if higher mortgage rates reduce customer spending. Brighter spots were hard to find, but the insurance sector rallied as latest accounts downgraded the likely effects of Hurricane Hugo.

FINANCIAL TIMES STOCK INDICES

	Sep 26	Sep 25	Sep 22	Sep 21	Sep 20	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	85.00	85.82	85.80	85.78	85.48	87.78	89.29 (9/1)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.06	96.09	96.10	96.09	96.16	96.36	96.98 (15/3)	95.21 (13/6)	108.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1913.5	1937.3	1949.5	1942.9	1934.6	1459.7	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	211.6	209.2	210.7	208.9	203.5	189.2	211.6 (26/9)	164.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2336.1	2359.6	2370.2	2360.8	2349.8	1808.0	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.26	4.20	4.17	4.13	4.17	4.75				
Earning Yld % (full)	10.18	10.05	9.98	9.91	9.98	11.87				
P/E Ratio (Net)	11.62	11.87	12.06	12.11	12.07	10.12				
SEAQ Bargains (5pm)	25,294	21,436	22,471	22,878	24,850	22,740				
Equity Turnover (£m)	-	876.55	990.82	873.20	1075.98	987.23				
Equity Bargains	-	20,983	23,100	22,989	24,989	24,742				
Shares Traded (ml)	-	282.7	360.8	318.0	441.6	349.1				

Ordinary Share Index, Hourly changes — Day's High 1938.9 — Day's Low 1908.3

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1934.2	1937.3	1936.1	1921.2	1909.3	1911.8	1916.7	1912.9

FT-SE, Hourly changes — Day's High 2368.4 — Day's Low 2332.4

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2361.9	2366.9	2366.1	2346.4	2334.5	2338.7	2340.7	2337.9

S.E. ACTIVITY

Indices	Sep 25	Sep 22
Gilt Edged Bargains	78.6	87.8
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A
5-Day average		
Gilt Edged Bargains	73.1	72.4
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A

US selling pressure on BAT

US selling of BAT Industries towards the close of the London market came before the news that the Hoylake consortium – the current bidder – intends to vote for the board's plans to demerge major areas of its non-tobacco and financial services operations.

Earlier, London had responded enthusiastically to the BAT announcement, driving shares in the beleaguered group up by nearly 40p to 864p, several pence above the notional share value of Hoylake's £13.5bn offer for the equity. But late deals saw BAT shares fall back to 818p, a net gain of only 2p as the market reacted to Hoylake's surprise announcement. Turnover of 9.6m shares, boosted significantly in the final hour of trading, indicated the market's excitement at BAT's move to resist the bid assault.

By the close, the response in London to the day's developments in the BAT situation sounded increasingly uncertain. Some analysts pointed out that Hoylake's response was not unpredictable, and that BAT's move indicated Hoylake's success in flushing out a demerger policy from the multi-national tobacco and financial services group.

Prudential-Bache equity strategist Mr Bill Smith commented that BAT, having been forced now to show its defensive hand, remains a target for predators. An immediate reaction in the London market was that BAT's tobacco interests are still valued cheaply by comparison with US market standards. Belief that a successful bid could still prove the ultimate outcome remained strong in London despite the initially guarded response from US investors.

Kingfisher falls

In a retail sector rattled by worries over domestic interest rates, Kingfisher suffered noticeably as the market received news that two London securities houses had reduced their profit forecasts for the company.

BZW, formerly predicting a full year figure of £295m, said that it was now "not confident Kingfisher could exceed £230m. We are taking a more pessimistic view on when the diy (do it yourself) market will recover." As well as referring to B&Q, Kingfisher's diy subsidiary, BZW said that Comet, the consumer durables operation, would continue to suffer as high interest rates discouraged the buying of high cost items. It said that Kingfisher shares were overvalued, having outperformed the lacklustre stores sector recently.

County NatWest WoodMac reduced its profit forecast from £300m to £285m. County specified higher interest charges as the cause of the problem. Although they in turn arose from weaker than expected cash flow especially from B&Q and Comet.

Kingfisher ended at the lowest point of the day, 333p, a net fall of 12. Turnover was 1.2m shares.

C&W rattled

The recent strong showing by Cable & Wireless (C&W) ahead of the imminent listing of the company's ADS's (American Depositary Shares) on the US market was brought to an abrupt halt yesterday after what was described by dealers as a bout of sabre-rattling by Premier Li of China.

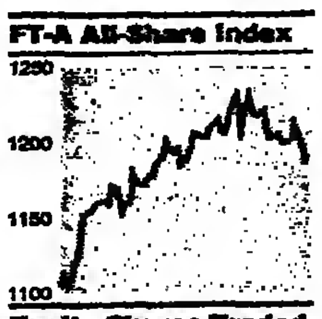
The Chinese Premier was reported by a news agency to have reaffirmed China's commitment to recover Taiwan; he was reported as saying that the use of force could not be ruled out and that Hong Kong should not be used as a base to oppose Communism.

C&W, which derives over half its profits from Hong Kong, was among the worst affected of stocks with Far Eastern connections. C & W shares, heavily sold in June after the developments which culminated in the events in Tiananmen Square, dropped to 347p at one point. By the close, the shares had recovered to close a net 8 off at 364p; turnover of 6.4m was well above recent levels for the stock.

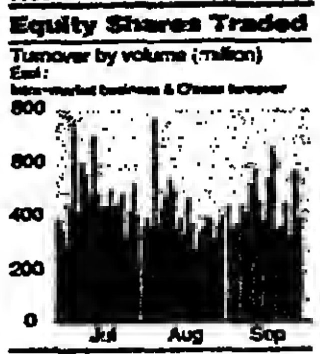
One analyst said the news was "a timely reminder of the risks that the market has been willing to ignore," but added that C&W's rating has raced ahead recently to the extent that it now looks "overheated."

The Hong Kong worries and a bearish note issued by County NatWest put pressure on Standard Chartered which fell to 527p in active trading before steadying and ending a volatile session a net 13 lower at 535p; turnover in Standard totalled 900,000 shares.

Merchant bank shares tumbled after the Hoylake/BAT news. Hambros, representing the Hoylake interests in the bid, fell 3 to 255p. Kleinwort Benson dipped 6 to 353p, and SG Warburg 11 to 428p, both stocks unsettled by the recent poor performance and miserably low turnover in UK securities markets.



FT-A All-Share Index



Equity Shares Traded — Turnover by volume (million)

Initially firm composite insurance stocks gave ground with the rest of the market. General Accident managed a 10 gain at 1030p on a stock shortage while Royal were keenly supported and settled 2 ahead at 457p on good turnover of 4m.

BP shares eased back 2½ to 306p on turnover of 7.8m with dealers expecting news of the sale of the group's coal interests, for some $500m to $700m, in the few couple of weeks. Shell lost a further 3½ to 431p, after 430p, on turnover of 3.2m, following news of the asset swap with Amoco.

British Gas proved an exception to the general rule, the stock edging further ahead to close 1½ higher at 212½p on good turnover of 6.9m, still sustained by the positive notes on the stock issued by a number of broking houses and also on the back of their fundamental defensive qualities.

Burmah drew late support with speculators pushing the shares up on talk that one of the top broking houses is about to issue a strong buy note on the stock; at the close Burmah shares were 3 firmer at 629p.

The international blue chips suffered in the market's shakeout as worries over domestic interest rates were compounded with uncertainties over the dollar arising from last weekend's proposal that G7 countries curb its strength.

Traders reported significant sales, or attempts at sales, of such leading names as Glaxo, down 14 at 1505p and ICI, 27 lower at 1251p.

Smith & Nephew continued to benefit from recommendations early this month from BZW, Nikko Securities and County NatWestWoodMac. They highlighted S&N's relative underperformance since the start of 1989. One dealer, however spoke of the return of bid talk – the suggested predator is US healthcare giant Johnson & Johnson.

Western Motor were the only bright spark among otherwise weak motors. They closed at 820p, a gain on the day of 12. News of the expected management buyout, which failed to materialise with last week's interim figures, is now expected in November.

Jaguar shares took another fall, closing at 556p down 20 on the day. Volume remained good, with over 4m shares traded. Analysts blamed the absence of further news of possible suitors.

Vickers shares slipped 9 to 247p as IEP Securities, run by Mr Ron Brierley, the New Zealand entrepreneur, confirmed it held a 12.17 per cent stake in the company.

Fears of further interest rate rises and the prospect of another increase in mortgage rates sent building stocks lower although dealers said the sector showed surprising resilience, closing well above the day's lowest levels. Bryant, the housebuilding group were only 2 easier at 99p after revealing preliminary profits only marginally ahead at £51.4m, compared with £50.1m.

Shares in Rothmans peaked at 664p in sympathy with BAT before falling back to close at 656p, a net fall of 2.

Bermuda-based Pembridge Investments revealed its long-forecast bid for DRG "much to everyone's relief," said a marketmaker. Pembridge had said its bid would be below 604p, but the actual figure of 550p only encouraged dealers to view the move as a sighting shot. The shares climbed steadily through the day to end at 605p, a net improvement of 14. Dealers and analysts said that the break-up value of DRG is around £7 a share and that therefore "660p is the right sort of knock out price."

US buying helped Blue Arrow firm slightly to 100½p on good turnover of 2.4m shares.

Marginally better interim results at management consultancy Alexander Proudfoot helped the shares climb 5 to 281p.

The defensive characteristics of large food retailers helped them resist the most of the downward pressure on prices arising from the trade figures. Sainsbury eased a penny to 288p and Tesco slipped only ½ to 211p in good volume.

RHM dominated proceeding among food manufacturers. The shares see-sawed with sentiment of BATs' proposals to unbundle itself. There has long been talk that should Hoylake's bid for BATs not go through, the company would turn its attention to RHM, in which it has a near 30 per cent stake. The unbundling proposal was initially seen as increasing the chance of BAT escaping the Hoylake bid. RHM rose 5 in early trading.

But dealers eyes wandered from the ball, distracted by the trade figures and the stock fell steeply with the market to touch a low of 465p in the afternoon. Just before the close of trade, Hoylake's announcement that it would vote for the proposed restructuring of BAT confirmed initial impressions and sent RHM streaking ahead to close 10 better on the day at 573p.

A halving of six month profits to £1.35m at Clifford Foods, formerly Clifford's Dairies, knocked 28 off the shares to 532p. "These are ghastly figures," said Mr John Marshall, analyst at Kitcat & Aitken. "This was the first time Clifford had a brokers' seminar on the results, they said that profits for the year would be substantially lower than last year and t would not disagree."

Mr Marshall cut his forecast for the full year by £1m to £3¼m and forecast the shares had further to fall.

British Airways made its expected rights issue and the shares ended 6½ down on the day at 209½p. "Fund-raising on a day like this is not easy," commented a marketmaker.

Polly Peck shares closed at 337p, down 50, as the share went ex the rights to finance the company's acquisition of Del Monte, from RJR Nabisco.

Explaining the reason behind the fall, one analyst said: "The initial euphoria about the Del Monte deal is running out of steam."

Speculation that the Polly Peck chairman is interested in building a UK press base to match his Turkish press interests, along with the restructuring of the Polly Peck board, in the wake of the managing directors resignation in the Spring were also thought to be factors in the share price slide.

AT&T's purchase of Istel, the information technology company, for some £180m, had electronics sector analysts revaluing other software groups. Most settled on Logica as the next potential bid target and the shares responded with a rise of 8 to 376p in active trade. "A valuation of 25 times earnings, which is what AT&T paid for Istel, would give you a price of 680p a share for Logica," said one analyst who pointed out that Logica is the last significant UK software house in which there are no big single shareholdings. There has been a spate of buy recommendations for Logica since the group unveiled a 28 per cent preliminary profits increase last Thursday.

GEC suffered from another bout of sustained and often heavy selling pressure, which left the shares 8½ lower at 239½p on 7.4m.

BAT's own demerger plans, including the sale of its 69 per cent stake in VG Instruments saw the latter's shares race up 13 to 480p, after 483p. The profits warning upset Microgen which retreated 20 to 154p, after 160p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 29

NEW HIGHS AND LOWS FOR 1989

[illegible]

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

APPOINTMENTS

Changes at the Savoy Hotel

■ The SAVOY HOTEL has appointed Mr John Wintle, formerly group financial controller, as general manager of the newly formed restaurant division. He will be responsible for overseeing the management of the group's restaurant interests which include Simpson's-in-the-Strand, Wiltons and the newly-acquired St Quentin Grill.

Mr Rowland Leigh, company secretary, will take over the responsibilities of Mr Wintle and will be assisted by Mr Rodney Hazlewood, who has recently joined the group from National Westminster Bank's international division.

■ Mr Iain Muir has joined FLEUR DE LYS AUTOMOBILE MANUFACTURING as chairman. He recently retired from his position as the senior partner at Moore Stephens, a firm of City accountants.

Mr Dion Liveras, the current chairman of Fleur de Lys Automobile Manufacturing and managing director of Fleur de Lys Patisseries, has become vice chairman and joint managing director of Fleur de Lys Automobile Manufacturing and will become more involved with the day-to-day running of the company.

Mr Bernard Friend (above) is to join the board of BROOKE TOOL ENGINEERING (HOLDINGS) on November 1 as a non-executive director. He will be appointed chairman on the retirement of Mr Fane Vernon on February 1. Mr Friend has been a board member of British Aerospace since 1977 and was BAe's finance director until May 1988. He was previously chairman and managing director of Esso Chemicals (UK).

■ Mr Roger Frampton has been appointed to the board of UNIFORUM UK as its first executive director. He was formerly with Digitus.

■ MILES 33, the Bracknell based supplier of editorial and composition systems, has appointed Mr Alex Yew as its new managing director. He succeeds Mr Nick Jones who has left the company.

■ Mr Eddie Thomas has been appointed managing director of the newly formed Birmingham based company WIDNEY ENCLOSURES.

The company has been created following the restructuring of Widney Products which has resulted in the creation of two companies: Widney Enclosures and a reformed Widney Products.

Mr Thomas is managing director of Widney Eurocraft and will continue in that role. He will jointly manage the two companies allowing them to function as separate, autonomous units.

Mr Peter Skinner, sales and marketing director of Eurocraft, will also have dual responsibility – he has been appointed sales and marketing director for Widney Enclosures.

■ Mr Christopher C. Goldsmith is to become deputy managing director of J C RATHBONE ASSOCIATES. He is retiring as group accountant and secretary at Gerrard & National Holdings. Mrs Margaret Moss, formerly treasurer at ANZ McCaughan (UK), is appointed a director.

■ Mr A.R.Evans has been named vice president of the M W. KELLOGG CO and managing director of M W. KELLOGG LTD, the company's European operations centre in London.

■ Mr Norbert Brodersen, a director of KM-kabelmetal, has been elected chairman of the London-based INTERNATIONAL WROUGHT COPPER COUNCIL which represents copper consumers in Europe, Japan and Australia.

Mr Seppo Isoherranen of Outokumpu Copper was re-elected vice chairman and Mr Gerard Durand-Texte of Els Grant, was elected as a new vice chairman.

CADCENTRE has appointed Mr John Dersley (above) as an executive director. Mr Dersley, who has been financial controller of the company since shortly after privatisation in 1983, has been promoted to the newly created post of finance director. He will remain company secretary.

FT UNIT TRUST INFORMATION SERVICE

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
00 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	55.13	55.66	59.22	-0.43	4.63
Gilts & Fixed Int	6	109.00	109.80	116.48	+0.10	8.59
High Inc Equity	6	139.30	142.20	151.30	+0.20	4.20
Worldwide Bond	6	199.10	199.10	210.90	-1.00	5.05
Capital Growth						
American Growth	6	198.20	200.40	213.20	-1.80	0.89
Asian Pacific	6	112.50	114.70	122.10	-0.80	1.06
Assets & Earnings	6	165.50	165.50	177.10	-2.20	2.09
Capital Reserve Acc	0	87.09	87.09	87.16	+0.07	4.59
Capital Reserve Inc	0	77.31	77.31	77.37	+0.06	5.17
Comdty & Energy	6	114.30	114.30	121.70	-0.40	1.56
1992 Enterprise	6	61.55	62.75	66.76	-0.54	1.92
Euro Capital Acc	6	96.18	96.91	103.10	-0.30	0.71
Euro Capital Inc	6	92.74	93.48	99.45	-0.30	0.75
General	6	182.10	182.10	194.80	-2.50	2.57
International	6	53.81	54.61	58.11	-0.63	0.86
Japan	6	117.90	119.70	127.40	-1.90	0.00
Mastertrust	6	91.89	91.89	98.28	-0.27	1.73
UK Growth Acc	6	206.30	206.30	220.70	-1.30	1.27
UK Growth Dist	6	137.60	137.60	147.20	-1.00	1.90
US Emerging Cos	6	54.60	54.60	58.40	[illegible]	[illegible]
Income & Growth	6	[illegible]	320.70	341.20	[illegible]	[illegible]
Ethical	6	50.62	51.00	55.17	[illegible]	[illegible]

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	33.38	33.38	35.63	-0.30	2.88
European	5¼	73.95	74.11	79.11	+0.05	0.00
European Income	5¼	70.36	70.36	75.10	+0.20	2.52
Exempt	1	848.0	848.8	882.7	-1.20	1.78
Extra Income	5¼	46.15	46.15	49.27	-0.05	4.28
F East Emerg Econs	5¼	58.00	58.31	62.45	-0.30	0.40
Fund Inv Tst	5	135.7	135.7	144.0	-0.10	1.91
Do Accum	5	211.3	217.3	225.6	-0.10	1.93
Gilt & Fixed Int	5¼	21.19	21.85	23.33	+0.02	10.36
Income & Growth	5¼	77.75	77.75	83.00	-0.01	3.00
Intl Income	5¼	68.06	68.06	72.66	-0.25	4.70
Japan	5¼	205.7	205.7	219.5	+1.00	0.00
Pacific	5¼	425.4	425.6	455.8	-0.30	0.35

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	125.4	125.4	133.4	+0.2	2.59
PM Income & Gth	5	104.1	104.1	110.7		5.95
PM Nth Amer Gth	5	60.19	60.19	64.03	-0.5	1.18
PM European Gth	5	62.73	61.87	65.81	-0.81	0.67
PM Japan Gth	5	80.54	80.67	85.81	+0.80	0.29
PM Overseas Gth	5	56.63	56.63	60.24	-0.8	0.43

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ● - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Capital & Equity	5	64.60	67.63	71.94	+0.06	6.57
European	5	78.02	78.53	83.53	-0.1	0.09
Far Eastern	5	65.96	67.39	71.69	+0.01	0.60
Growth Inc	5	87.43	90.83xd	96.63	-0.3	1.40
Growth Acc	5	87.50	90.91xd	96.70	-0.31	1.40
Income Inc	5	84.65	86.93xd	92.48	-0.23	4.60
Income Acc	5	84.75	87.05xd	92.58	-0.24	4.60
Property Share	5	35.20	35.20	38.84	-0.1	1.00
Smaller Cos	5	57.24	57.24	61.02	+0.05	1.56
Nth American	5	67.40	67.40	72.08	-0.34	1.53
International	5	50.66	50.66	54.18	-0.02	1.36
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Int'l Growth	5	114.50	114.50	120.53	—	0.89
UK Growth	5	95.00	95.00	100.00	—	3.08
UK Income	5	95.00	95.00	100.00	—	4.50
Weekly dealing day Tuesday						
The Yorkshire Unit Tst. Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bridge, Huddersfield 0484 602290						
Yorkshire General	5¼	64.73	67.04	71.32	-0.20	2.54
YUTM UK Eqty Inc Tst	5¼	60.06	62.27xd	66.25	+0.05	3.77
YUTM Intl Gwth Tst	5¼	54.90	54.91	58.59	-0.49	0.76

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gr's
Baillie Gifford & Co Ltd				
Int'l Expt June 7	485.3	503.8	—	—
Cent. Bd. of Fin. of Church of England##				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund Aug 31		353.45	—	4.61
Fxd Int Sec Aug 31		141.85	—	10.08
Deposit Aug 31		100.00	—	13.45
Charibond/Charishare## (1000)F				
33 King William Street, EC4R 9AS 01-280 2800				
C'inco Inc Sept 20	163.3	167.3xd	-2.00	9.90
C'inco Acc Sept 20	686.5	703.6xd	-3.90	9.90
C'share Inc Sept 20	163.5	169.6xd	-1.10	4.00
C'share Acc Sept 20	181.0	187.7xd	-1.40	4.00

Charities Official Invest. Fund##

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
Series Metro	138.3	145.6	+1.2	—
UK Metro	125.3	132.1	—	—
N Am Pn Fd Acc(z)	266.3	280.2	-3.2	—
Pen Basis Fd Acc(z)	198.5	208.9	+2.0	—
Property(z)	615.5	647.9	+2.6	—
Whole Inc Pens Acc(z)	1539.6	1620.6	+6.1	—
Broker Funds				
Prof. Pen. Fd	101.6	106.9	+0.8	—
YRA Strategy	126.9	133.5	+0.2	—
YRA Performance	109.3	115.0	+0.4	—
Laughton Dollar (SD)	144.4	152.0	-0.1	—
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Inc. Dep. Acc.	266.7	280.8	+0.1	—
Equity Acc.	906.9	954.7	-7.2	—
Property Acc.	513.4	540.5	+2.3	—
Far East Acc.	216.7	228.2	-1.0	—
European Acc.	25.4	26.8	—	—
Managed Acc.	718.2	747.6	-4.4	—
Managed Cap.	400.9	422.0	-2.6	—
O'seas Earnings Acc.	609.3	641.4	-4.3	—
Gilt Edged Acc.	317.2	333.9	+0.2	—
American Equity Acc.	476.9	502.0	-2.3	—
American Mon. Acc.	219.9	231.5	-0.9	—
American Prop Acc.	146.9	154.7	-0.2	—
Pen. F.I. Dep. Cap.	294.7	310.3	+0.1	—
Pen. F.I. Dep. Acc.	520.0	536.9	+0.2	—
Pen. Prop. Cap.	601.8	635.5	+4.3	—
Pen. Prop. Acc.	1152.6	1213.3	+8.8	—
Pen. Man. Cap.	871.1	917.0	-0.5	—
Pen. Man. Acc.	1667.5	1755.3	-0.9	—
Pen. Gilt Edg. Cap.	317.0	333.7	+0.2	—
Pen. Gilt Edg. Acc.	495.8	521.9	+0.4	—
Pen. Eq. Cap.	1442.0	1517.9	-2.3	—
Pen. Eq. Acc.	2090.3	2200.4	-2.9	—
Pen. Am. Eq Cap.	156.0	164.4	-1.5	—
Pen. Am. Eq Acc.	195.0	205.3	-2.0	—
Pen. Far East Cap.	259.2	272.9	-0.0	—
Pen. Far East Acc.	318.6	335.4	-4.5	—
Pen. Euro Cap.	30.8	32.5	-0.1	—
Pen. Euro. Acc.	33.9	35.7	-0.1	—
Pen. B.S. Acc.	560.9	589.0	+0.2	—
Pen. B.S. Cap.	333.3	350.0	+0.1	—

Continued on next page

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Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or –	Yield Gross
American	125.0	132.0	–4.0	–
Building Soc. Fd.	174.0	184.0	.....	–
Balanced	294.0	310.0	.....	–
European	194.0	205.0	+1.0	–
GT Managed	192.0	203.0	.....	–
Gartmore Mngd	128.0	135.0	.....	–
German	138.0	146.0	–1.8	–
Gilt	182.0	192.0	.....	–
Global	50.0	53.0	.....	–
High Inc.	121.0	128.0	.....	–
International Equity	206.0	217.0	.....	–
Japan	271.0	286.0	+3.0	–
Managed	64.0	68.0	.....	–
Property	292.0	308.0	.....	–
R. W. Imperial Gold	156.0	164.0	.....	–
UK Equity	367.0	387.0	–1.0	–
Pension Funds				
American	152.0	160.0	.....	–
Building Soc. Fd.	177.0	187.0	.....	–
Balanced	227.0	239.0	.....	–
European	193.0	204.8	.....	–
German	122.0	129.0	.....	–
Gilt	159.0	168.0	.....	–
International Equity	148.0	156.0	.....	–
Japan	145.8	153.0	.....	–
Managed	67.0	71.0	–1.0	–
Property	224.0	236.8	.....	–
UK Equity	337.8	355.0	.....	–

Professional Life Assurance Co Ltd
Frobisher Hse, Nelson Gate, Southampton 0703 232323

	Bid Price	Offer Price	+ or –	Yield Gross
Pensions Managed Fund	97.54	102.84	–0.22	–
Pensions Cash Fund	80.13	84.35	+0.03	–

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or –	Yield Gross
Life Funds				
Balanced Gwth Mngd.	625.7	659.4	–2.4	–
Adventurous Mngd	136.1	143.5	–0.d	–
Secure Mngd	112.8	118.9	–0.3	–
Cash Fd	238.3	251.2	.....	–
Property Fund	294.0	313.7	.....	–
Equity Fund	710.7	748.9	–3.4	–

Prudential Holborn Pensions Ltd
10 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or –	Yield Gross
Managed	594.2	625.5	–1.1	–
Equity	861.3	906.7	–3.2	–
Global Equity	257.9	271.5	+0.1	–
Fixed Interest	409.0	430.6	–3.2	–
Property	409.1	430.7	.....	–
Cash	161.8	170.4	.....	–
Index Linked Gilt	203.8	214.6	+0.3	–
Guaranteed	12.93		.....	–
International Mnky	205.8	216.7	–0.5	–
North American	80.0	84.3	–0.9	–
Japanese	152.0	160.1	+0.9	–
European	107.0	112.7	+0.7	–
Special Situations	122.5	139.0	–0.4	–
Communications	111.6	117.5	–0.3	–
Smaller Companies	116.0	122.2	–0.1	–
International Small Cos.	144.7	152.4	–0.2	–

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-548 3281

	Bid Price	Offer Price	+ or –	Yield Gross
Discretionary Sept 20	£167.40	172.80	.....	–
Equity Sept 20	£184.27	190.08	.....	–
International Sept 20	£28.58	29.22	.....	–
Intl Bond Sept 20	£12.69	12.84	.....	–
Fixed Int Sept 20	£73.99	74.80	.....	–
Index Linked Sept 20	£63.40	64.19	.....	–
Property Sept 20	£115.81	122.61	.....	–
Cash Sept 20	£21.6297	21.6297	.....	–
Pru-Linked Retirement Plan				
Managed Sept 19	405.9	426.0	.....	–
Cash Sept 19	203.0	211.5	.....	–
Prudential Pensions Investment Account				
Pens Mngd Sept 25	164.6	177.0	–0.4	–
Pens UK Eq Sept 25	317.6	342.5	.....	–
Pens Intl Sept 25	196.0	210.9	+0.7	–
Pens Fixed Sept 25	169.0	178.6	–0.2	–
Pens Index Lk Sept 25	161.3	170.3	.....	–
Pens Cash Sept 25	132.5	139.6	.....	–

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	+ or –	Yield Gross
Aggressive Ptflio Fd	124.3	130.8	+0.1	–
Balanced Ptflio Fd	325.6	342.7	–0.2	–
Cautious Ptflio Fd	124.5	130.8	.....	–
Elite Fund	116.0	122.9	.....	–
European Fund	94.6	99.5	–0.5	–

Rothschild Asset Management—Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or –	Yield Gr's
OCCFL Pta				2098.4	+0.72	12.96
OCCFL SKr				104.09	+0.02	10.30
OCCFL SwFr				30.747		6.11
OCCFL U.S.$				15.518		7.78
OCCFL Yen				3534.87	+0.4	4.62
OCCFL Man £	3	10.709	10.789	11.04		11.61

Daily Dealings

Royal Bank of Canada Funds
RBC Offshore Fund Managers Ltd
PO Box 246, St Peter Port, Guernsey 0481 23021

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or –	Yield Gr's
Intl Capital Fd	5	51.72	51.72	56.10	(2)	–
Far East & Pacific Fd	5	38.72	38.72	42.18	(2)	–
North America Fd	5	14.67	14.67	16.01	(2)	–

AEtna Intl Assurance (Bermuda) Ltd
Exchange rate at Valuation Day US$1.5790

	Bid Price	Offer Price	+ or –	Yield Gross
Commodity ($)	$8.140	8.570	.....	–
Dollar Deposit ($)	$2.295	2.420	.....	–
Eurogrowth ($)	$1.040	1.095	.....	–
European Equity (£)	£299.4	315.2	.....	–
Global Managed ($)	$1.310	1.380	.....	–
Gold ($)	$1.020	1.075	.....	–
Goldmine ($)	$0.505	0.535	.....	–
Internat'l Equity ($)	$11.775	12.395	.....	–
Inter Fixed Int ($)	$7.875	8.290	.....	–
International Mngd ($)	$8.495	8.945	.....	–
N. American Equity ($)	$2.040	2.150	.....	–
Pacific Enterprise ($)	$1.500	1.580	.....	–
Pacific Equity ($)	$4.235	4.460	.....	–

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

[illegible]

ISLE OF MAN (**)

[illegible]

LUXEMBOURG (**)

[illegible]

OFFSHORE INSURANCES

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
99	98	Exch 11pc 1989	99xd	....	–	–
99	95¾	Treas 5pc 1986-89	99xd	....	–	–
99¼	98	Exch 10¼pc Cv '89	99	–	10.7	12.31
101	99¾	Treas 13pc 1990‡‡	99¾	–¼	13.0	13.23
132¾	124	Treas 2pc IL '90(84.6)	132¼	–¼	2	9.98
99¼	98	Exch 11pc 1990‡‡	99	–¼	11	13.21
101	99	Exch. 12½pc 1990	99	–	12.	13.62
95¼	91	Treas. 3pc 1990	95	–	3.1	10.80
97¾	95	Treas 8¼pc 1987-90‡‡	97	–	8.	12.44
98	95¼	Treas. 8pc Cv 1990‡‡	96	–	8.	12.61
98	96	Treas. 10pc Cv 1990	97xd	–	10.	13.01
93	87	Exch 2½pc 1990	92	–	2.7	9.44
101	98	Treas 11¾pc 1991	98	–	11.	12.67
93¼	89¾	Funding 5¾pc '87-91‡‡	92xd	–¼	6.3	10.97
90¾	86	Treas. 3pc 1992	89	–¼	3.34	9.65
100	95	Treas 10pc Cv '91‡‡	96	–	10.39	12.35
101	97	Exch. 11pc 1991	98xd	–	11.24	12.20
94¾	91	Treas. 8pc 1991	92	–	9.01	11.28
106	102	Treas 12¾pc 1992‡‡	102¾	–	12.50	11.68
99½	95	Treas 10pc 1992	96	–	10.38	11.76
94	91	Treas. 8pc 1992‡‡	92xd	–	8.70	11.75
100¼	96	Treas 10¼pc Cv 1992‡‡	97	–	10.78	11.64
85¾	82¼	Treas. 3pc 1992	84	–	3.55	9.66
105	101¼	Exch. 12¼pc '92	101	–	12.06	11.56
109¾	104	Exch 13½pc 1992	105	–	12.85	11.45
94	90	Treas 8¼pc 1993	91	–	9.01	11.28
100	95	Treas 10pc 1993‡‡	96xd	–	10.34	11.13
108	103	Treas 12½pc 1993‡‡	104	–	12.03	11.19
88	84¼	Funding 6pc 1993‡‡	86	–	6.91	10.09
113	108¼	Treas 13¾pc 1993‡‡	108	–	12.67	11.09
	89¾	Treas. 8½pc 1994	91	–	9.33	11.11
117	112¼	Treas 14½pc 1994‡‡	112	–	12.91	10.91
113	107	Exch 13½pc 1994	108xd	–	12.45	11.10
100	95	Treas. 10pc Ln. 1994‡‡	96¼	–	10.35	10.93
110		Exch. 12¼pc 1994	105	–	11.88	11.07
		Five to Fifteen Years				
96	91¾	Treas 9pc 1994‡‡	92	–	9.7	10.86
108	102	Treas 12pc 1995	103¾	–	11.	11.03
79¾	74½	Exch 3pc Gas 90-95	75xd	–½	3.	8.59
101	95¾	Exch. 10¼pc 1995	97	–	10.54	10.89
113	107¼	Treas 12¾pc 1995‡‡	108	–	11.	10.81
119	112¾	Treas. 14pc '96	113¾	–	12.	10.95
97½	91	Treas 9pc 1992-96‡‡	92	–	9.6	10.55
126	119	Treas 15¼pc 1996‡‡	120	–	12.	10.81
117	110	Exch 13¼pc 1996‡‡	113	–	11.	10.78
101	94	Conversion 10pc 1996	96½	–	10.	10.67
118½	110¾	Treas 13¼pc 1997‡‡	112¾	–1	11.	10.72
104	97¼	Exch 10½pc 1997	98	–1	10.	10.66
95	88¾	Treas 8¾pc 1997‡‡	90	–	9.	10.45
128¾	120	Exch 15pc 1997	122xd	–1	12.	10.83
100	93	Exch. 9¾pc 1998	95	–	10.19	10.53
84¾	78¾	Treas 6¾pc 1995-98‡‡	81xd	–	8.36	10.15
134	125	Treas. 13½pc '98‡‡	127	–1	12.15	10.66
113	105	Exch. 12pc 1998	107	–1	11.13	10.60
100¼	93¾	Treas 9½pc 1999‡‡	95	–	9.96	10.26
115¾	107	Exch. 12¼pc 1999	109¾	–1	11.16	10.59
105	97¾	Treas. 10½pc 1999	100	–	10.39	10.48
104	96¼	Conversion 10¼pc 1999	98	–	10.39	10.45
94	86¾	Treas. 8½pc Ln 2000‡‡	89	–	9.52	10.18
97	90	Conversion 9pc 2000‡‡	92	–	9.74	10.20
122	113	Treas. 13pc 2000	115	–1	11.28	10.56
103	95¾	Treas 10pc 2001	98	–	10.19	10.26
124	115½	Treas. 14pc '98-01	117	–1	11.	10.78
102	94	Conversion 9¾pc 2001	96	–	10.	10.22
113	105	Exch. 12pc '99-02	107¾	–1	11.	10.63
104	96	Conversion 10pc 2002	98xd	–	10.	10.14
102	94	Treas 9¾pc 2002	97	–	10.	10.11
97	89	Exch. 9pc 2002	92	–1	9.7	10.04
126	117	Treas. 13¾pc 2000-03	120	–1	11.	10.58
105	97¾	Treas 10pc 2003	100	–	10.	9.99
113	104	Treas. 11½pc 2001-04	107	–1	10.7	10.41
106	97¾	Treas. 10pc 2004	100	–	9.	9.93
59¾	55	Funding 3½pc '99-04	56	–	6.1	8.77

BRITISH FUNDS—Contd

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		Over Fifteen Years				
102	94¼	Conversion 9½pc 2004	97xd	–	9.7	9.86
103	94½	Conversion 9½pc 2005	97xd	–	9.7	9.83
111¾	102	Exch. 10½pc 2005	105¾	–	9.	9.82
125	115¾	Treas. 12½pc 2003-05	118¾	–1	10.5	10.03
90¾	82¾	Treas. 8pc 2002-06‡‡	85½xd	–	9	9.75
105	97	Conversion 9¾pc 2006	99	–	9.7	9.76
118	109	Treas. 11¾pc 2003-07	112	–1	10.46	10.04
96	87	Treas 8½pc 2007‡‡	90	–	9	9.60
134¾	123¾	Treas. 13½pc '04-08	126	–1	10	9.96
101	92	Treas. 9pc 2008‡‡	95xd	–	9.	9.55
92	84	Treas 8pc 2009	86¾	–	9.	9.50
102	93	Conv 9pc Ln 2011‡‡	95¾	–	9.	9.44
68¾	62	Treas. 5½pc 2008-12‡‡	64	–	8.5	9.28
89¾	82	Treas 7¾pc 2012-15‡‡	84	–	9.2	9.40
132	121	[illegible] 12pc '13-'17	124	–1	9.	9.45
		Undated				
45¾	41½	Consols 4pc	42	–	9.52	–
40¾	36¾	War Loan 3½pc‡‡	37	–	9.38	–
70	60	Conv. 3½pc '61 Aft.	64xd	–¼	5.47	–
41	31	Treas. 3pc '66 Aft.	33¾xd	–	8.92	–
30¼	26	Consols 2½pc	26xd	–	9.46	–
29½	25¾	Treas. 2½pc	26xd	–	9.55	–

Index-Linked

1989 High	1989 Low	Stock (b)	Price £	+ or –	(1)	(2)
112¾	103	Tr 2pc '92‡‡(97.8)	111	–¼	2.29	3.39
105	94	Do. 2 '94(102.9)	103¾	–¾	2.68	3.26
155	139¾	Do 2pc '96(67.9)	152¾	–¾	2.86	3.27
130	118	Do 2½pc '01(78.3)	128¾	–½	3.34	3.61
127	115¾	Do. 2½pc '03(78.8)	125	–	3.42	3.66
131	117	Do. 2pc '06(69.5)	128¾	–	3.46	3.65
123	110	Do. 2½pc '09(78.8)	129	–	3.47	3.65
128	114	Do. 2½pc '11(74.6)	125	–	3.47	3.63
106¾	95¼	Do. 2½pc '13(89.2)	104	–	3.46	3.61
113¾	101¼	Do. 2½pc '16(81.6)	112	–	3.42	3.57
112	100¾	Do. 2½pc '20(83.0)	110¼xd	–	3.38	3.51
95	84	Do. 2½pc '24‡‡(97.7)	92	–	3.35	3.47

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1989: 111.0 and for August 1989: 113.8.

INT. BANK AND O'SEAS

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
108	99½	African Dv Bk 11¼ Ln 2010	102¼	–	10.78	10.72
104¾	96¼	Asian Dev Bk 10¼pcLn2009	98	–	10.30	10.31
130	119	Australia 13½pc 2010	122xd	–1	10.94	10.67
113	102	Do. 11¾pcLn2015	105¾	–1	10.69	10.64
108	99	Euro Inv Bk 11pc Ln 2002	102	–	10.64	10.51
104	95	Do. 10¼pc2004	98	–	10.46	10.47
119	109	Int-Am Dev Bk 12½pc 2003	111	–	11.09	10.67
99¾	90	Do 9¾pcLn 2015	93	–	10.34	10.39
97½	91½	Mlysia 10¾pcLn 2009	95xd	....	11.32	11.39
120	115	[illegible]	115	....	14.35	14.20

CORPORATION LOANS

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
102	99½	Birmingham 13½pc 1989	100½	....	13.43	11.20
111½	102½	Do. 11½pc 2012	104½	....	11.00	11.00
91	86½	GLC 6¾pc 1990-92	89½xd	+1	7.63	12.20
124½	114	Leeds 13½pc 2006	119½xd	....	11.30	10.96
33	30	Liverpool 3½pc Irred	32xd	....	10.94	–
95½	92	LCC 6¾pc '88-90	95½	+1	7.14	11.90
30	27	Do. 3pc '20 Aft	30xd	+2	10.71	–
107½	101½	Manchester 11½pc 2007	104½	+1	11.11	11.05

COMMONWEALTH & AFRICAN LOANS

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
89½	86½	NZ 7¾pc 1988-92	88½	....	8.19	11.90
206	206	S Rhod 2½pc Non-Assd	206	....	–	–
84½	84½	Do. 4½pc 87-92 Assd.	84½	....	5.33	9.33

LOANS

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		Building Societies				
99	99¼	N'wide Anglia 12½pc 2.10.89	99	....	12.32	14.14
99	98	Do. 11pc 6.11.89	99	....	11.86	13.95
100	98	Do 12pc 4.12.89	99½	....	12.37	14.00
100	99	Do 12pc 2.1.90	99	....	12.87	13.93
100	98¾	Do 12pc 29.1.90	99¾	....	12.64	13.96
100	98¾	Do. 12pc 26.2.90	99¾	....	12.77	13.04
100	98	Do. 12½pc 19.3.90	99	....	12.94	13.96
100	99¼	Do 13¾pc 23.4.90	99xd	....	13.40	14.30
100	99	Do 13pc 14.5.90	99	....	13.09	13.99
100	98¾	Do 13pc 4/6/90	99	....	13.73	13.99
100	100	Do 14pc 2.7.90	100¼	....	14.28	13.80
100	99	Do 13¾pc 23.7.90	99	....	13.65	13.77
107	98½	Do. 3¾pcIL Ln 2021	104½xd	....	4.29	4.40
		Public Board and Ind.				
47	45	Met. Wtr 3pc 'B'	46xd	....	6.52	10.62

FOREIGN BONDS & RAILS

1989 High	1989 Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	40	....	3.50	f8.75
45	40	Do 6pc 28 Stb. Ass.	40xd	....	3	f7.50
45	40	Do 4pc Mixed Ass	40xd	....	2	f5.00
80	65	Hung. '24 Ass.	80	....	2.75	13.57
139	128	Hydro Quebec 15pc 2011	130	–1¼	13.00	11.05
128	118	Iceland 14½pc Ln 2016	121xd	–1¾	14.50	11.67
97¾	91½	Ireland 9¾pc '91-96	92xd	....	9.75	11.40

AMERICANS

1989 High	1989 Low	Stock	Price £	+ or –	Div Gross	C'w	Y'ld Gr's
41¾	26½	Abbott Laboratories	38¼xd	–	$1.	–	2.3
579p	361p	♥Allegheny & W 1c	480p	–1		–	4.0
18¾	12	Amax $1	16½xd	....		–	3.1
11¼	6	Ambase Corp $1	9½xd	–		–	1.3
15	865p	Amdahl 5c.	914pxd	–18		–	0.7
37¾	25½	Amer. Cyanamid $5	32½	–¾	$1.	–	2.6
24½	14	Amer. Express 60c	22¾xd	–¾		–	2.4
16¼	854p	Amer. Medical Intl. $1	13½	–½	47	–	3.4
27	15¾	American T. & T. $1	26	–	$1.20	–	2.9
40¾	26	Ameritech $1	38¾	–1	h$2.	–	4.8
659p	535p	♥Asiamerica Equity	565p	+6	–	–	–
21¼	9¾	BankAmerica $1	21xd	–	60c	–	1.8
35¾	19½	Bankers N.Y. $1	32¾xd	–¼	$2.08	–	4.1
63¾	38½	Bell Atlantic $1	60¾	–¾	$4.08	–	4.2
34¾	19¾	BellSouth Corp.	33¼	–	$2.52	–	4.8
13¾	12	♥Bethlehem Steel $8	13¼xd	–	$1.00	–	4.8
11¾	868p	♥Bio-Rad Labs. A	11¼	+¾	–	–	–
20¼	15¼	Bowater Inc.	17½	–	$1.12	–	4.0
12¾	9¾	Brunswick 75c	10xd	–	44c	–	2.8
43¾	28¾	CPC Intnl. 25c	39½	–¾	$1.80	–	2.9
840p	333p	California Engy	821p	–19	–	–	–
36	17¼	Campbell Soup 15c	20¾xd	–	92c	–	2.0
25¾	13	Chase Manhattan $12½	24xd	–	$2.36	–	6.1
25¼	17	Chem. Banking Corpn.	24	–	$2.72	–	7.2
17½	13¾	Chrysler $6¼	15xd	–	$1.20	–	4.9
22	14	Citicorp $1	19¾xd	–1	$1.62	–	5.2
230p	107p	CityFed Fin. Corp.	124p	....	4c	–	2.0
39¼	25¼	Colgate-Palmolive $1	36xd	+¼	s$1.48	–	2.6
17¼	10¾	Cont'l Bank Corp $4	15¾	....	80c	–	3.2
410p	218p	♥Corporate Data Scnce	400p	....	–	–	–
597p	278p	Cullinet Sftwr 1c	536p	....	–	–	–
27½	21	Dana Corp. $1	23¼xd	–¼	$1.60	–	4.3
13	854p	Data General	937p	–26	–	–	–
38¾	28¾	Dun & Bradstreet $1	34¾	....	$2.00	–	3.6
43¼	30½	Eaton Corpn 50c	39	–½	h$2.00	–	3.2
11¾	8¾	Echlin Inc.	9¾	–	70c	–	4.5
20¾	16¾	FPL Group 1c	19¾xd	–	$2.28	–	7.3

Continued on next page

[illegible]

Money Market Bank Accounts

[illegible]

Money Market Trust Funds

[illegible]

UNIT TRUST NOTES

[illegible]

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
35¼	27⅝	Ford Motor $1	31⅞xd	−⅛	[illegible]	—	6.0
37¼	24¼	Gen. Elect. 63c	34⅛	−½	[illegible]	—	3.0
579p	460p	General Host Corp $1	503p	−9	[illegible]	—	3.8
39⅛	18¼	Gillette $1	17⅞	−¼	[illegible]	—	2.2
987p	601p	Gt American Bank Bk $1	767p	−33	[illegible]	—	1.6
23⅞	16	Greyhound $1½	21⅞	−½	[illegible]	—	3.9
14⅛	847p	Hasbro Inc 50c	11⅛	....	[illegible]	—	0.8
57½	32¼	Honeywell $1½	51⅛xd	−⅛	[illegible]	—	2.6
22	15½	Houston Inds.	20⅞	−⅛	[illegible]	—	9.0
76	63	IBM Corpn $1¼	72xd	+	[illegible]	—	4.2
60p	45p	Image Storage/R.Svs.Ic	55p	....	—	—	—
32¼	18¾	Ingersoll-Rand $2	28¼xd	−⅛	$1.20	—	2.7
33¼	22½	Lockheed Crpn $1	30xd	−¼	$1.80	—	3.8
22⅝	15	Lone Star Inds $1	19¼xd	−⅛	$1.90	—	6.2
27⅞	17½	Louisiana Land 15c	25xd	..	$1.00	—	1.5
20⅛	11½	Lowe's 50c	18⅝	−⅛	48c	—	1.6
28	15	Manuf. Hanover $1	26	−⅜	$3.28	—	8.0
22⅝	13	Merrill Lynch $1	19⅞	−⅛	$1.00	—	3.3
2439p	1910p	Molex Inc	2341p	+33	3.2c	—	—
27	18⅛	Morgan (JP) $2½	25⅞xd	−⅛	$1.66	—	4.1
107	96	Morris (Philip)	96	−1	$4.50	—	3.0
54½	36⅛	NYNEX $1	49⅞	−1⅛	$4.36	—	5.5
44p	20p	N'wide Legal Serv	19p	−1	—	—	—
24⅞	18¼	PHH Corp.	23¼	−¼	$1.12	—	3.0
259p	179p	Pacific Agr.	221p	....	—	—	—
27¼	19	Pacificorp $3¼	24⅞xd	−⅛	$2.76	—	6.7
30¼	16⅞	Pacific Telesis 10c	27⅞	−⅛	$1.88	—	4.3
22⅞	15¼	Pall Corp. 25c	21½	−⅛	48c	—	1.4
55⅛	39	Pennzoil 83 1/3c	30⅛xd	−½	$3.00	—	3.8
42¼	28⅛	Quaker Oats $5	38¼	−⅛	$1.20	—	2.0
32⅛	25½	Reo NY Corpn $5	30xd	+⅛	$1.28	—	2.7
16	11	Rockwell Intl. $1	14¾xd	−⅛	78c	—	3.3
29½	22	Sears, Roebuck 75c	26⅛	−⅛	$2.00	—	4.8
35⅝	21⅛	Southwestern Bell $1	33¼	−½	$2.60	—	4.9
27⅞	17	Sun Co. Inc. $1	14⅜xd	−½	$1.80	—	4.7
31¼	22	TRW Inc 62½c	29⅛	−⅛	$1.72	—	3.7
24⅞	14⅛	TW Services $5	22⅞	−⅛	10c	—	0.3
39	26¼	Tenneco $5	36⅛	−¼	$3.04	—	5.3
35	28	Texaco $6.25	31xd	−¼	$3.00	—	6.0
28	21⅛	Texas Instr. $1	23⅛xd	−⅛	72c	—	1.9
117	58⅝	Time Inc. $1	85	−⅜	$1.00	—	0.7
19⅛	15	TRINOVA Corp	17⅝	+⅛	68c	—	2.4
24⅛	16	USX $1	20¼xd	−⅛	$1.40	—	4.3
260p	126p	Unilab	248p	....	—	—	—
36½	22⅛	Utd. Technologies	34⅛xd	−¼	$1.60	—	1.9
158p	128p	Utilitech Inc.	146p	....	—	—	—
45½	31½	US West	43⅞	−½	$3.76	—	5.4
38½	22	Waste Management $1	37½xd	−¼	60c	—	1.0
20½	13½	Whirlpool $1	17¾	−¼	$1.10	—	3.9
24¼	16	Whitman Corp	19¼	−⅛	$1.02	—	3.4
46½	28⅛	Woolworth $3½	39¼	−⅛	$1.88	—	3.0

CANADIANS

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
178p	129p	ABM Gold Corp	178p	+13	—	—	—
26p	4½p	Abbot Energy Corp	25p	....	—	—	—
16½	902p	Amer. Barrick Res.	15½	+⅜	—	—	—
28p	10½p	Armeno	15½p	−½	—	—	—
33½p	8½p	Augmitto Expln.	10½p	−1¼	—	—	—
18⅛	12⅞	Bk Montreal	16⅝	....	$2.12	—	6.9
10½	655p	Bk Nova Scot.	890p	−15	92c	—	5.6
821p	599p	BC Gas $1	765p	−8	60c	—	4.3
22⅞	17	BCE	21½	....	$2.44	—	6.2
17	12½	Brascan	15½	....	88c	—	3.1
228p	124p	Breakwater Res.	126p	−2	10c	—	4.3
17¼	11⅛	Can Imp Bank	15¼	−½	$1.24	—	4.3
[illegible]							

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INSURANCES

[illegible]

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES — Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND — Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES — Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1989 High	Low	Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's	P/E
[illegible]								
3¼	1¼	Swanyard Studios 1p γ	1½	.....	–	–	–	7.2
11	5½	Systems Connection 2½p γ	5½	–½	–	–	–	7.2
50	37	Tavern Leis. 20p... γ	43	–1	–	–	–	–
115	28	Tomorrows Leisure 20p γ	103	.....	–	–	–	51.3
19	11	Tallow Oil 10p..... γ	17½	+½	–	–	–	–
113	75	UPL Group 10p.... γ	75	.....	2.75	1.9	4.9	14.2
150	135	Unit Group......... γ	144	.....	5.0	3.3	4.6	8.2
100	66	Video Magic Leis. 1p γ	95	.....	W2.0	0.7	2.8	76.2
14	5	Vista Ents 5p...... γ	8	–½	–	–	–	–
40	32	Vizcaya Hldgs 5p.. γ	32	.....	–	–	–	–
46½	23	Whitegate Leisure 30p γ	42½	.....	–	–	–	–
32½	10	Do. Wrrnts......... γ	30	–1	–	–	–	–
10¼	5	Wilton Group 1p.. γ	8	.....	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♠ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or -
Albany Inv 20p.... γ	97	+1
Craig & Rose £1.. γ	830	.....
Finlay Pkg. 5p.... γ	83	–2
Holt (Jos) 25p..... γ	1343	–15

IRISH

Stock	Price	+ or -
Cap. 8½% Ln. 1991	£98	.....
9pc Cap Ln. 1996	£98¾	–¼
Fin. 13% 97/02	£118½	–½
Arnotts	420	–2
Carrol (P.J.)....... γ	152	.....
Hall (R. & H.)	185xd	+5
Helton Hldgs....... γ	92	.....
Irish Ropes	212	.....
United Drug	148	–2

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	30
Amstrad	11
BAT	80
BOC Grp.	42
BSR	6½
BTR	32
Barclays	42
Blue Circle	24
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	46
Charter Cons	48
Comm Union	32
Courtaulds	30
FKI	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	10
GKN	34
Hanson	16
Hawker Sidd	60
ICI	100
Jaguar	28
Ladbroke	28
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	18
Midland Bk	30
Morgan Grenfell	24
Nat West Bk	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	20
RHM	42
Rank Org Ord	80
Reed Intnl	34
STC	32
Sears	10
Smithkline Bchm. A	58
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42

Property

Stock	p
Brit Land	32
Land Securities	52
MEPC	58
Randsworth	28

Oils

Stock	p
Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines

Stock	p
Cons Gold	150
Lonrho	30
RTZ	48

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound nerves masked by dollar

REPEATED INTERVENTION by the US Federal Reserve and European central banks pushed the dollar down through resistance at DM1.9000 and Y142.00 yesterday. Earlier in the day the Bank of Japan also sold dollars.

This co-ordinated action kept attention away from sterling, leaving the pound relatively unscathed from another set of very disappointing UK trade figures.

The initial impact of the intervention against the dollar was not very great. Dealers said the market was technically short of the US currency and the central banks were providing liquidity, but the continuous action of the central banks eventually took its toll.

August US durable goods orders rose 3.8 per cent, the strongest figure for eight months, but the figure was probably misleading, according to analysts and had little impact on the dollar. The August rise was much larger than the expected 0.4 per cent gain, but almost certainly overstates the strength of the US economy. Unfilled orders fell for the first time in several months, suggesting that orders are not keeping up witb shipments, and there is some weakening in the industrial sector.

At the London close the dollar had fallen to DM1.8885 from DM1.9055; to Y141.90 from Y142.65; to SFr1.6400 from SFr1.6565; and to FFr6.4025 from FFr6.4525. On Bank of England figures the dollar's index fell to 70.1 from 70.4.

Thanks to the spotlight remaining focused on the dollar, sterling avoided being the centre of some unwanted attention, and managed to disguise its underlying nervousness. In early trading the pound was firm against the dollar and D-Mark, on optimism that the August UK trade figures would show a significant improvement over July.

This was not the case, and when a current account deficit of £2bn was announced at 11.30 am sterling lost ground. Selling was not particularly aggressive at first, on speculation that the news might be followed by a signal from the Bank of England at noon that bank base rates would have to rise.

But when the UK authorities left money market dealing rates unchanged, and by implication instructed the commercial banks to leave base rates at 14 per cent, the pound did suffer. It fell from around DM3.0725, before the trade figures, to DM3.0575 after the Bank of England money market operation.

Dealers also noted that an upward revision to £2.2bn from £2.1bn in the July current account deficit had an adverse impact on sentiment. It had been hoped that the large July deficit was the result of faulty calculations on seasonal adjustment and that the revision would show a much lower figure.

Sterling rose 1.35 cents to $1.6220 against the weak dollar, and also improved to Y230.25 from Y229.50 and to FFr10.3850 from FFr10.3775, but fell to DM3.0625 from DM3.0650 and to SFr2.6600 from SFr2.6650. The pound's index rose 0.2 to 92.1.

£ IN NEW YORK

Sep.26	Latest	Previous Close
£ Spot	1.6210-1.6220	1.6165-1.6175
1 month	0.63-0.62pm	0.64-0.62pm
3 months	1.90-1.86pm	1.88-1.85pm
12 months	6.28-6.18pm	6.70-6.60pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep.26	Previous
8.30 am	92.2	92.1
9.00 am	92.2	92.0
10.00 am	92.2	92.0
11.00 am	92.2	91.9
Noon	91.9	92.0
1.00 pm	91.8	91.9
2.00 pm	91.9	91.9
3.00 pm	92.1	92.0
4.00 pm	92.1	91.9

CURRENCY RATES

Sep.26	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.27364	1.47838
U.S Dollar	7	1.26449	1.08801
Canadian $	12.36	1.48894	1.27841
Austrian Sch.	5	16.9619	14.5783
Belgian Franc	7.75	50.5069	43.4362
Danish Krone	9½	9.36165	8.05945
Deutsche Mark	5.00	2.40847	2.07103
Neth.Guilder	6.00	2.71802	2.33738
French Franc	9½	8.16039	7.01387
Italian Lira	13½	1740.54	1496.02
Japanese Yen	3¼	180.696	155.238
Norway Krone	8	8.81792	7.58617
Spanish Peseta	-	151.081	130.235
Swedish Krona	9½	8.20022	7.05903
Swiss Franc	5.5	2.08957	1.79740
Greek Drach.	20½	209.817	180.569
Irish Punt	-	N/A	0.777430

Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Sep.25

CURRENCY MOVEMENTS

Sep.26	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.1	-19.3
U.S Dollar	70.1	-7.7
Canadian Dollar	105.0	+1.3
Austrian Schilling	107.0	+9.9
Belgian Franc	106.2	-5.9
Danish Krone	103.9	-1.3
Deutsche Mark	113.4	+20.7
Swiss Franc	107.0	+15.7
Guilder	110.6	+13.4
French Franc	99.9	-15.2
Lira	99.5	-18.7
Yen	137.9	+67.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Sep.25.

OTHER CURRENCIES

Sep.26	£	$
Argentina	1053.30-1062.10	650.00-655.00
Australia	2.0480-2.0505	1.2680-1.2690
Brazil	5.6880-5.7245	3.5100-3.5270
Finland	6.9830-7.0040	4.3200-4.3220
Greece	265.45-269.70	164.50-167.15
Hong Kong	12.6085-12.6215	7.8015-7.8035
Iran	116.20*	73.75*
Korea(Sth)	1071.90-1089.20	667.30-672.50
Kuwait	0.4810-0.4830	0.2985-0.2995
Luxembourg	64.20-64.30	39.55-39.65
Malaysia	4.3460-4.3570	2.6890-2.6910
Mexico	4194.50-4213.30	2586.00-2596.00
N. Zealand	2.7000-2.7060	1.6715-1.6745
Saudi Ar.	6.0420-6.0480	3.7500-3.7510
Singapore	3.1715-3.1770	1.9660-1.9680
S. Af (Cm)	4.4320-4.4430	2.7400-2.7450
S. Af (Fn)	6.3970-6.5260	3.9525-4.0320
Taiwan	41.25-41.35	25.50-25.55
U.A.E.	5.9165-5.9220	3.6720-3.6730

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Sep.26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6050-1.6235	1.6215-1.6225	0.70-0.68cpm	5.10	1.93-1.90pm	4.72
Canada	1.8865-1.9040	1.9030-1.9040	0.33-0.24cpm	1.80	0.81-0.69pm	1.59
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	2.65½-2.67	2.65½-2.66½	1¾-1½cpm	7.33	4-3¾pm	5.92
ECU	1.4770-1.4810	1.4800-1.4810	0.52-0.49cpm	4.09	1.40-1.35pm	3.71

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 64.50-64.60 Six-month forward dollar 3.86-3.81cpm 12 Months 6.96-6.86cpm

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sep.26	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4362	+2.30	+1.31	±1.5424
Danish Krone	7.85212	8.05945	+2.64	+1.65	±1.6419
German D-Mark	2.05853	2.07103	+0.61	-0.38	±1.1019
French Franc	6.90403	7.01387	+1.66	+0.67	±1.3719
Dutch Guilder	2.31943	2.33738	+0.77	-0.22	±1.5019
Irish Punt	0.768411	0.777430	+1.17	+0.18	±1.6689
Italian Lira	1483.58	1496.02	+0.84	+0.41	±4.0815
Spanish Peseta	133.804	130.235	-2.67	-2.67	-

Changes are for Ecu, therefore positive change denotes a weak currency
Adjustment calculated by Financial Times.

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Sep.26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6050-1.6235	1.6215-1.6225	0.70-0.68cpm	5.10	1.93-1.90pm	4.72
Ireland†	1.3970-1.4110	1.4100-1.4110	0.10-0.06cpm	0.69	0.50-0.40pm	1.29
Canada	1.1710-1.1765	1.1740-1.1750	0.31-0.34cdis	-3.32	0.91-0.96dis	-3.18
Netherlands	2.1275-2.1530	2.1315-2.1325	0.28-0.26cpm	1.51	0.65-0.61pm	1.17
Belgium	39.56-40.00	39.55-39.65	2.50-1.50cpm	0.60	4.50-1.50pm	0.30
Denmark	7.34½-7.41¼	7.34¾-7.35¼	0.27-0.48oredis	-0.61	1.40-1.80dis	-0.86
W. Germany	1.8850-1.9085	1.8880-1.8890	0.29-0.27pfpm	2.09	0.67-0.64pm	1.63
Portugal	159.30-160.35	159.30-159.40	52-62cdis	-4.27	205-230dis	-5.43
Spain	118.90-119.80	118.95-119.05	54-59cdis	-5.67	153-163dis	-5.28
Italy	1363½-1376½	1365¼-1365¾	4.20-4.80liredis	-3.93	11.00-13.50dis	-3.56
Norway	6.92¾-6.98	6.92¾-6.93¼	0.95-1.20oredis	-1.85	3.00-3.30dis	-1.81
France	6.38¼-6.46½	6.40-6.40½	0.04-0.11cdis	-0.14	0.50-0.60dis	-0.34
Sweden	6.45-6.49½	6.45-6.45½	1.43-1.50oredis	-2.78	4.05-4.30dis	-2.57
Japan	141.00-142.90	141.85-141.95	0.44-0.42ypm	3.61	1.20-1.17pm	3.32
Austria	13.30-13.43¼	13.30½-13.31	1.80-1.30gropm	1.39	4.70-3.20pm	1.18
Switzerland	1.6365-1.6580	1.6395-1.6405	0.23-0.20cpm	1.56	0.53-0.49pm	1.23
ECU	1.0680-1.0945	1.0935-1.0945	0.10-0.09cpm	1.04	0.32-0.29pm	1.10

Commercial rates taken towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.75-39.85.

EURO-CURRENCY INTEREST RATES

Sep.26	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14-13⅞	14-13⅞	14¼-13⅞	14¼-14⅛	14¼-14⅛	14-13⅞
US Dollar	9-8⅞	9⅛-9	9⅛-8⅞	9⅛-8⅞	9-8⅞	9-8⅞
Can. Dollar	12-11¾	12⅛-11⅞	12⅛-11⅞	12⅛-11⅞	12⅛-11⅞	11⅞-11⅝
D. Guilder	7¼-7⅛	7⅜-7¼	7½-7⅜	7⅝-7½	7⅝-7½	7⅝-7½
Sw. Franc	7⅛-7⅛	7¼-7⅛	7⅝-7½	7¾-7⅝	7⅞-7¾	7⅞-7¾
Deutschmark	7⅛-6⅞	7⅛-7	7⅜-7¼	7⅝-7½	7¾-7⅝	7¾-7⅝
Fr. Franc	9⅛-9	9⅛-9	9¼-9⅛	9½-9⅜	9½-9⅜	9½-9⅜
Italian Lire	12-10	16½-15	12¼-12⅛	12⅜-12¼	12⅜-12¼	12⅜-12⅛
B. Fr. (Fin)	8⅞-8⅝	8¾-8½	8⅞-8⅝	9-8⅞	9-8⅞	9-8⅞
B. Fr. (Con)	8¾-8⅝	8¾-8⅝	8⅞-8½	9⅛-8¾	9⅛-8¾	9⅛-8¾
Yen	5½-5⅜	6⅛-6	5⅝-5½	5¾-5⅝	5¾-5⅝	5⅞-5¾
D. Krone	10¼-10⅛	9⅞-9⅝	9⅞-9⅝	9⅞-9⅝	10-9⅞	10⅛-9⅞
Asian $Sing	9⅛-8⅞	9⅛-9	9⅛-8⅞	9-8⅞	9-8⅞	9-8⅞

Long term Eurodollars: two years 9⅛-8⅞ per cent; three years 9⅛-9 per cent; four years 9⅛-9 per cent; five years 9⅛-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sep.26	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.622	3.063	230.3	10.39	2.660	3.458	2215	1.904	64.25
$	0.617	1	1.888	142.0	6.406	1.640	2.132	1366	1.174	39.61
DM	0.326	0.530	1	75.19	3.392	0.868	1.129	723.1	0.622	20.98
YEN	4.342	7.043	13.30	1000.	45.12	11.55	15.02	9618	8.267	279.0
F Fr.	0.962	1.561	2.948	221.7	10.	2.560	3.328	2132	1.833	61.84
S Fr.	0.376	0.610	1.152	86.58	3.906	1	1.300	832.7	0.716	24.15
H Fl.	0.289	0.469	0.886	66.00	3.005	0.769	1	640.5	0.551	18.58
Lira	0.451	0.732	1.383	104.0	4.691	1.201	1.561	1000.	0.860	29.01
C $	0.525	0.852	1.609	121.0	5.457	1.397	1.816	1163	1	33.74
B Fr.	1.556	2.525	4.767	358.4	16.17	4.140	5.382	3447	2.963	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Record volume on Liffe

TRADING ON the Liffe market was very active yesterday, recording the highest ever turnover of almost 200,000 for total futures and options contracts. The West German Government bond was particularly active, reflecting rising speculation about an increase in the Bundesbank's official interest rates next week.

Turnover in German bonds was a record 42,358, against the previous record of 39,567 on August 18. Fears of higher UK bank base rates also pushed up market volume in short sterling options and futures. Options trading in short sterling was a record 16,367, compared with the previous 13,444 turnover peak on May 24.

Short sterling futures volume fell a little short of record levels, but also traded very actively at over 60,000 lots for December delivery.

December German bonds opened lower at 93.65, but this was the day's high, with the contract falling to 93.40 at the close, from 93.74 on Monday.

Short sterling suffered from disappointment at the UK trade figures, and mounting speculation about higher UK bank base rates. The December contract opened unchanged at 86.34, which was also the day's high. It touched a low of 85.85 and closed at 85.99.

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 2448 Puts 2923
Previous day's open int. Calls 11784 Puts 8232

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 270 Puts 19
Previous day's open int. Calls 2462 Puts 1887

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 2307 Puts 2604
Previous day's open int. Calls 13400 Puts 11561

LIFFE £/$ OPTIONS £25,000 (cents per £1)

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 411 Puts 20

LIFFE EURODOLLAR OPTIONS $1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 1984 Puts 2127

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 8510 Puts 7857
Previous day's open int. Calls 28058 Puts 16472

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev.
Sep	95-09	94-17	94-17	94-11
Dec	95-10	94-16	95-16	94-12

Estimated volume 25392 (7266)
Previous day's open int. 24649 (24886)

7-10 YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev.
Sep	-	-	-	-
Dec	-	-	-	-

Estimated volume 0 (0)
Previous day's open int. 0 (0)

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev.
Dec	95-06	95-16	95-03	95-26
Mar	95-01	-	-	95-21

Estimated volume 4781 (2982)
Previous day's open int. 5513 (5177)

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100%

	Close	High	Low	Prev.
Dec	93.40	93.65	93.32	93.74
Mar	93.53	93.75	93.53	93.89
Jun	93.59	-	-	93.95

Estimated volume 42421 (32912)
Previous day's open int. 29150 (28191)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Dec	105.55	105.56	105.21	105.74
Mar	105.05	104.76	104.76	105.24

Estimated volume 556 (949)
Previous day's open int. 1082 (1050)

THREE MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev.
Dec	85.99	86.34	85.85	86.34
Mar	86.67	87.03	86.55	87.05
Jun	87.35	87.61	87.25	87.61
Sep	87.79	88.04	87.76	88.05

Est. Vol. (inc. figs. not shown) 73042 (27652)
Previous day's open int. 70613 (69916)

THREE MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev.
Dec	91.37	91.46	91.34	91.25
Mar	91.36	91.45	91.35	91.47
Jun	91.40	91.48	91.40	91.48
Sep	91.39	91.39	91.34	91.38

Est. Vol. (inc. figs. not shown) 9357 (4462)
Previous day's open int. 28809 (28129)

THREE MONTH EUROMARK DM 1m points of 100%

	Close	High	Low	Prev.
Dec	92.31	92.36	92.26	92.58
Mar	92.43	92.48	92.42	92.57
Jun	92.52	92.62	92.52	92.65
Sep	92.67	92.64	92.64	92.58

Estimated volume 9901 (8073)
Previous day's open int. 18275 (18217)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev.
Sep	2340.0	2375.0	2332.0	2365.0
Dec	2382.0	2412.0	2375.0	2407.0
Mar	2421.0	-	2423.0	2451.0

Estimated volume 8256 (4083)
Previous day's open int. 28880 (28488)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6220	1.6151	1.6029	1.5837	1.5529

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.5914	1.5930	1.5884	1.5994
Mar	1.5740	1.5740	1.5730	1.5814
Jun	-	-	1.5600	1.5666

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Latest	High	Low	Prev.
Dec	0.7063	0.7068	0.7056	0.7092
Mar	0.7125	0.7132	0.7115	0.7151
Jun	-	-	0.7175	0.7208

DEUTSCHE MARK (IMM) DM125,000 $ per DM

	Latest	High	Low	Prev.
Dec	0.5272	0.5275	0.5264	0.5283
Mar	0.5290	0.5290	0.5284	0.5297
Jun	-	-	-	0.5311

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	91.20
[illegible]	[illegible]	[illegible]	[illegible]	91.42
[illegible]	[illegible]	[illegible]	[illegible]	91.45
[illegible]	[illegible]	[illegible]	[illegible]	91.36
[illegible]	[illegible]	[illegible]	[illegible]	91.12
[illegible]	[illegible]	[illegible]	[illegible]	91.14
[illegible]	[illegible]	[illegible]	[illegible]	91.14
[illegible]	[illegible]	[illegible]	[illegible]	91.15

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	348.95
[illegible]	[illegible]	[illegible]	[illegible]	353.35
[illegible]	[illegible]	[illegible]	[illegible]	357.70

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
1.500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.06
1.525	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.74
1.550	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.71
1.575	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.86
1.600	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.24
1.625	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.77
1.650	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.46

Previous day's open int: Calls [illegible] Puts [illegible] (All currencies)
Previous day's volume: Calls [illegible] Puts [illegible] (All currencies)

BASE LENDING RATES

	%		%		%
ABN Bank	14	Clydesdale Bank	14	NatWestminster	14
Adam & Company	14	Comm. Bk. N. East	14	Northern Bank Ltd	14
Allied Trust Bank	14	Co-operative Bank	*14	Norwich Gen. Trust	14
Allied Irish Bank	14	Coutts & Co	14	PRIVATbanken Limited	14
● Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	14
Associates Cap Corp	14	Duncan Lawrie	14	R. Raphael & Sons	14
Authority Bank	14	Equatorial Bank plc	14	Roxburghe Guarantee	14½
● B & C Merchant Bank	14	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
Bank of Baroda	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	First National Bank Plc	15	● Smith & Williamson Secs.	14
Bank Hapoalim	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank Leumi (UK)	14	Robert Fraser & Ptnrs	14½	TSB	14
Bank Credit & Comm	14	Girobank	14	United Bk of Kuwait	14
Bank of Cyprus	14	● Guinness Mahon	14	United Mizrahi Bank	14
Bank of Ireland	14	HFC Bank plc	14½	Unity Trust Bank Plc	14
Bank of India	14	● Hambros Bank	14	Western Trust	14
Bank of Scotland	14	Hampshire Trust Plc	14½	Westpac Bank Corp	14
Banque Belge Ltd	14	Heritable & Gen Inv Bnk	14	Whiteaway Laidlaw	14½
Barclays Bank	14	● Hill Samuel	§14	Yorkshire Bank	14
Benchmark Bank PLC	14	C. Hoare & Co	14		
Brit Bk of Mid East	14	Hongkong & Shanghai	14		
● Brown Shipley	14	● Leopold Joseph & Sons	14		
Business Mtge Bank	14	Lloyds Bank	14		
CL Bank Nederland	14	Meghraj Bank Ltd	14		
● Charterhouse Bank	14	McDonnell Douglas Bnk	14		
Citibank NA	14	Midland Bank	14		
City Merchants Bank	14	Mount Banking	14		
		Nat Bk of Kuwait	14		

● Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.9% Sunrise 6.5% Top Tier £10,000+ Instant access 12.8% & Mortgage base rate. § Demand deposit 9%. Mortgage 14.25% - 15%

MONEY MARKETS

UK rates climb

INTEREST RATES in London rose about ¼ point in initial reaction to disappointing UK trade figures, before settling a little lower in nervous trading as the market weighed up the implications for bank base rates.

Fears of higher rates were calmed a little by Bank of England action before lunch to take out most of yesterday's large credit shortage, but the threat of an upward move has not gone away.

UK clearing bank base lending rate 14 per cent from May 24

Sterling interbank rates from one-week to six-month were 14-13⅞ per cent ahead of the trade news, moving up slightly from Monday's close, but the important three-month rate jumped to 14¼-14⅛ per cent soon after the figures. It eased back to close at 14⅛-14 per cent, in a general mood of uncertainty about future levels.

Overnight funds were above 14 per cent in early trading. The Bank of England has tended to keep overnight money tight recently, by leaving an underlying shortage in the market, but as fixed period rates rose above the 14 per cent base rate level on the trade figures, the authorities bought bills freely to push the overnight rate back to around 13⅞ per cent.

The Bank forecast a money market shortage of £700m, and virtually took this out before lunch with purchases of £658m bills, by way of £43m Treasury bills in band 1 at 13⅞ per cent; £505m bank bills in band 1 at 13⅞-13⅞ per cent; and £110m Treasury bills in band 2 at 13¾-13⅞ per cent. There was no market intervention in the afternoon.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £299m, with Exchequer transactions absorbing £480m. These factors outweighed a fall in the note circulation adding £80m to liquidity.

In Frankfurt there was renewed speculation about a rise in official West German interest rates. Recent comments by the Bundesbank president, and rising monetary growth in August, led to suggestions that the next council meeting could result in an increase in the discount and Lombard rates. Call money yesterday was steady at 6.90 per cent but credit conditions could tighten soon as a result of central bank intervention to depress the dollar against the D-Mark

The Bundesbank set a 28-day variable bid securities repurchase agreement tender yesterday. An earlier facility of DM9.5bn expires today.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep.26) 3 months US dollars		6 months US Dollars	
bid 8⅞	offer 9⅛	bid 8⅞	offer 9

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK Treasury Bills and Bonds

(Lunchtime)

Prime rate	10½	One month	7.63	Three year	8.42
Broker loan rate	10¼	Two month	7.91	Four year	8.41
Fed funds	9	Three month	8.04	Five year	8.33
Fed.funds at intervention	-	Six month	8.27	Seven year	8.39
		One year	8.38	10-year	8.34
		Two year	8.46	30-year	8.29

Sep.26	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.85-6.95	6.95-7.10	7.10-7.25	7.20-7.35	7.30-7.50	7.00
Paris	9-9¼	9¼-9⅜	9⅜-9½	9⅜-9½	9⅝-9½	8.75
Zurich	6¾-6⅝	7⅛-7⅞	-	7⅜-7⅛	-	-
Amsterdam	6.85-7.00	7.45-7.55	-	7.70-7.80	-	-
Tokyo	5⅛-5⅛	5⅝-5⅝	-	5⅝-5⅛	-	-
Milan	12¼-12½	12⅝-12⅞	-	12⅝-12⅞	-	-
Brussels	-	-	-	-	-	-
Dublin	9⅛-9⅞	9⅞-10	10⅛-10⅛	10⅛-10½	10⅛-10⅛	-

LONDON MONEY RATES

Sep.26	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14⅛	14	14⅛	14¼	14⅛	14⅛
Interbank Bid	13¾	13¾	13⅞	14⅛	14⅛	13⅞
Sterling CDs	-	-	14⅛	14⅛	14⅛	14
Local Authority Deps.	14	14	13⅞	14	14	13⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14⅛	13⅞	13⅞	13½	-	-
Company Deposits	-	-	14	14⅛	14⅛	14
Finance House Deposits	-	-	14	14⅛	14⅛	14
Treasury Bills (Buy)	-	-	13⅞	13⅝	-	-
Bank Bills (Buy)	-	-	13⅞	13⅝	13⅞	-
Fine Trade Bills (Buy)	-	-	14⅛	14⅛	13⅞	-
Dollar CDs	-	-	8.97	8.93	8.93	8.85
SDR Linked Dep Offer	-	-	8¾	8⅞	8¾	8¾
SDR Linked Dep Bid	-	-	8⅝	8⅝	8½	8½
ECU Linked Dep Offer	-	-	10⅛	10⅛	10⅛	10⅛
ECU Linked Dep Bid	-	-	9⅞	10⅛	10⅛	10⅛

Treasury Bills (sell); one-month 13⅞ per cent; three months 13½ per cent; Bank Bills (sell); one-month 13⅞ per cent; three months 13½ per cent. Treasury Bills; Average tender rate of discount 13.4431 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day August 31, 1989. Agreed rates for period September 26 to October 24, 1989, Scheme I: 14.76 p.c., Schemes II & III: 15.16 p.c. Reference rate for period August 1 to August 31, 1989, Scheme IV&V: 13.880 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from September 1, 1989; Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 12 per cent; Under £100,000 10½ per cent from May 25, 1989. Deposits withdrawn for cash 5 per cent.

EUROPEAN OPTIONS EXCHANGE

Series	Nov. 89 Vol	Nov. 89 Last	Feb. 90 Vol	Feb. 90 Last	May 90 Vol	May 90 Last	Stock
Gold C $380	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	$367.80
Gold C $400	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	$367.80
Gold P $380	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	$367.80

Series	Oct. 89 Vol	Oct. 89 Last	Jan. 90 Vol	Jan. 90 Last	Apr. 90 Vol	Apr. 90 Last	Stock
EOE Index C / P (various strikes)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	FL 316.70

Series	Oct. 89 Vol	Oct. 89 Last	Nov. 89 Vol	Nov. 89 Last	Jan. 90 Vol	Jan. 90 Last	Stock
S/FI C / P (various strikes)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	FL 213.33

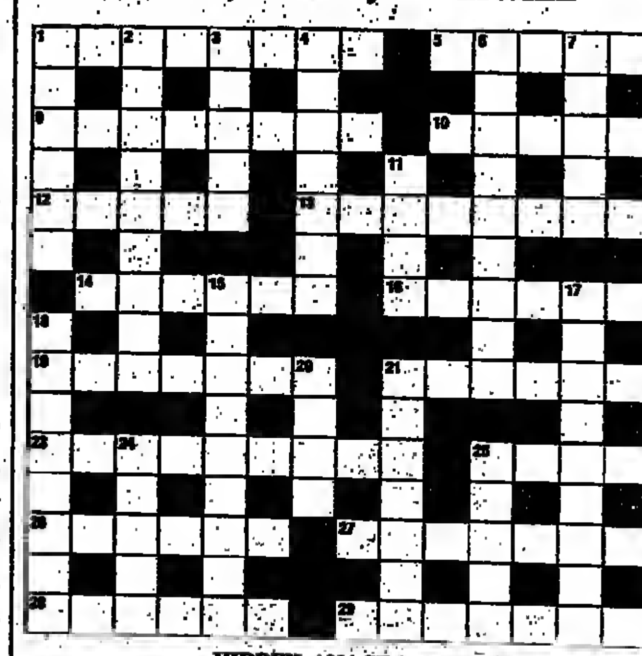
Series	Oct. 89 Vol	Oct. 89 Last	Jan. 90 Vol	Jan. 90 Last	Apr. 90 Vol	Apr. 90 Last	Stock
ABN C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ABN P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aegon C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aegon P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ahold C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Akzo C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Akzo P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amev P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amro C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amro P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DAF N.V. C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N.V. DSM C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N.V. DSM P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elsevier C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gist-Broc. C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gist-Broc. P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Heineken C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hoogovens C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hoogovens P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KLM C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KLM P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KNP C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KNP P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NEDLLOYD C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NEDLLOYD P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat.Ned. C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Philips C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Philips P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Dutch C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Dutch P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Unilever C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Unilever P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Van Ommeren C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wessanen C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wessanen P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS : 39,809
A=Ask B=Bid C=Call P=Put

JOTTER PAD

CROSSWORD

No.7,048 Set by CINEPHILE



HIDDEN ANAGRAM PAIRS

Example: COLT (clue, "Revolver to clasp" (TO CL) and FILLY (clue, "Gall fly in Oxford"). Pairs are 11 and 8; 21 down and 1 down; 25 down and 20; 26 and 3; 22 and 7; 15 and 4. Other clues are normal.

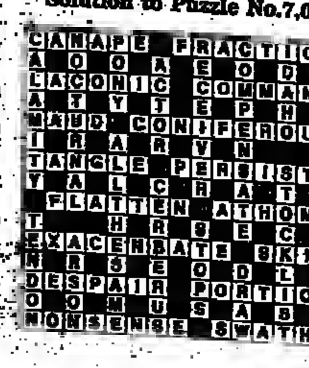
ACROSS

1 Greek port in hall for Institute of Contemporary Arts (8)
5 Smoke, little time back — sad (6)
9 Soldier, Russian, with insect (8)
10 Alloy used by gilder or doctor, somewhat lumpy (6)
12 Dodge publicity during previous day (5)
13 Decree: beat back people in race (9)
14 Arrangement for table protector (6)
16 French capital, where fair ladies go topless round river (7)
19 Perch outside cask on a domed building (7)
21 Spirit, type unknown (6)
23 Rapid series of notes; briefly, glass is grains, nothing more (9)
25 Flap, upper-class and mostly vulgar (5)
26 Hamlet to the king when pensive (6)
27 Rough house conducted with restraint (8)
28 Quartet hysterically conceals a moon (6)
29 Policeman? Bloomer — go wrong — back inside! (8)

DOWN

1 Rests in hospital (6)
2 Frolic — bird has a fight (4,5)
3 Riviera sound has broken ice (5)
4 Innocent virgins' place? (7)
6 Realm of fancy such as Bunyan, losing his head, found in rising air (9)
7 Fool goes overboard (5)
8 Just seconds left from myriad (8)
11 Noble art (4)
15 Sermon at Yorkshire abbey (9)
17 Fish stirred mud in counter rising (3,6)
18 Fish (little monster?) round in scourer (8)
20 Sally may be unattached (4)
21 Comrade, the borrowing type (7)
22 Look enraged (6)
24 Data with bad pun in it (5)
25 Pawnbroker (rotten clue)

Solution to Puzzle No.7,047



WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · JAPAN · AUSTRALIA · HONG KONG · SINGAPORE

CANADA

TORONTO
Closing prices September 25

MONTREAL
Closing prices September 25

Total Sales 6,261,432 shares.

INDICES

NEW YORK

DOW JONES	Sep 25	Sep 22	Sep 21	Sep 20	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
¢Industrials	2659.19	2681.61	2680.28	2683.89	2752.09 (1/9)	2144.64 (3/1)	2752.09 (1/9/89)	41.22 (2/7/32)
Home Bonds	92.63	92.88	92.89	92.97	94.15 (2/8)	87.35 (23/3)		
Transport	1428.17	1448.26	1465.86	1457.33	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	215.67	216.80	216.30	217.43	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

¢Day's High 2685.41 (2696.62) Low 2647.61 (2667.55)

STANDARD AND POOR'S

	Sep 25	Sep 22	Sep 21	Sep 20	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	344.23	347.05	345.70	346.47	353.73 (1/9)	275.31 (3/1)	353.73 (1/9/89)	4.40 (1/6/32)
Industrials	392.89	396.98	394.64	395.60	405.27 (1/9)	318.66 (3/1)	405.27 (1/9/89)	3.62 (21/6/32)
Financial	33.07	33.38	33.07	33.05	33.59 (7/8)	24.30 (3/1)	33.59 (7/8/89)	8.64 (1/10/74)
NYSE Composite	191.28	192.73	192.16	192.45	196.37 (1/9)	154.98 (3/1)	196.37 (1/9/89)	4.46 (25/4/42)
Amex Mkt. Value	381.40	381.38	380.64	379.14	384.54 (12/9)	305.24 (3/1)	384.54 (12/9/89)	29.31 (9/12/72)
NASDAQ Composite	466.71	468.07	467.00	466.72	471.86 (12/9)	378.56 (3/1)	471.86 (12/9/89)	54.87 (31/10/72)

	Sep 22	Sep 16	Sep 8	year ago (approx.)
Dow Industrial Div. Yield	3.75	3.76	3.70	3.70

	Sep 20	Sep 13	Sep 8	year ago (approx.)
S & P Industrial div. yield	2.87	2.89	2.86	3.19
S & P Infl. P/E ratio	14.49	14.46	14.61	13.03

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Columbia	6,223,300	26¼	+ 5¼
Manfc Han (wi)	2,743,300	42	− ⅝
AT&T	1,759,500	42⅝	− 1
Lomas Fin	1,202,000	1⅞	− 1¼
IBM	1,140,500	116¼	− ¼
Allergan	1,083,700	18⅝	+ ½
Phil Elec	1,066,400	22¼	—
Niag Mohawk	1,061,600	14⅝	—
Bristol Myers	995,500	50⅛	− ⅝
Philips Ind	958,500	24⅝	+ 4⅝

TRADING ACTIVITY

† Volume (Millions)	Sep 25	Sep 21	Sep 21
New York	120,465	131,186	148,334
Amex	11,475	10,206	12,401
NASDAQ	108,088	148,885	138,620
Issues Traded	1951	1940	1,948
Rises	435	727	664
Falls	1018	637	755
Unchanged	498	576	529
New Highs	37	51	45
New Lows	30	30	26

CANADA

TORONTO	Sep 25	Sep 22	Sep 21	Sep 20	1989 HIGH	1989 LOW
Metals & Minerals	3620.9	3646.6	3644.7	3667.4	3919.2 (1/9)	3207.5 (3/1)
Composite	3901.3	3909.5	3901.3	3906.5	4019.7 (10/8)	3350.5 (6/1)
MONTREAL Portfolio	1978.31	1986.92	1986.25	1997.05	2053.80 (1/9)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common − 50; Standard and Poor's − 10; and Toronto Composite and Metals − 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

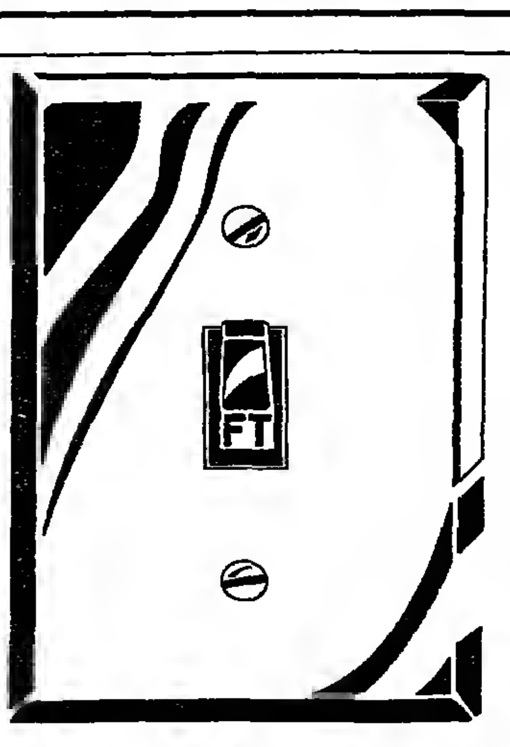
	Sep. 26	Sep. 25	Sep. 22	Sep. 21	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1703.1	1686.6	1706.8	1714.8	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	825.3	817.1	830.2	838.8	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	468.51	462.08	452.53	443.96	468.51 (26/9)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6805.28	6798.87	6747.19	6702.10	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	327.11	331.21	332.21	332.77	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	697.1	708.7	721.3	722.7	815.8 (18/4)	697.1 (26/9)
FRANCE						
CAC General (31/12/82)	548.9	550.5	550.4	543.7	550.4 (22/9)	417.9 (4/1)
Ind. Tendance(30/12/88)	126.1	126.6	126.1	124.3	126.6 (25/9)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	677.7	683.57	679.37	674.93	685.92 (8/9)	535.78 (27/2)
Commerzbank (1/12/53)	2027.1	2044.8	2032.8	2019.4	2052.1 (8/9)	1595.7 (27/2)
DAX (30/12/87)	1609.03	1635.93	1628.80	1611.42	1657.61 (8/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2725.41	2738.70	2706.36	2665.75	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1770.01	1771.57	1768.47	1754.74	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	707.49	711.94	715.53	709.90	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	35444.82	34960.71	34771.79	34745.02	35444.82 (26/9)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2675.22	2643.20	2629.40	2633.52	2675.22 (26/9)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	268.5	270.7	272.5	272.7	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	206.5	208.1	209.5	209.7	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	691.06	690.59	686.34	685.92	692.28 (18/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1153.31	1151.56	1128.34	1135.86	1217.44 (10/8)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1387.62	1385.54	1392.80	1401.35	1420.52 (13/9)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1682.0§	1672.0	1644.0	1609.0	1685.0 (3/8)	1291.0 (15/2)
JSE Industrial (28/9/78)	2742.0§	2738.0	2735.0	2736.0	2838.8 (25/8)	1961.0 (3/1)
SOUTH KOREA						
Korea Comp Ex. (4/1/80)	925.42	928.22	932.36	938.13	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	328.55	327.45	326.27	325.20	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4236.45	4251.62	4291.3	4299.7	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	803.8	814.1	816.3	814.9	829.1 (6/9)	613.1 (3/1)
TAIWAN						
Weighted Price (30/6/66)	10669.79	10773.11	10672.22	10567.06	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	687.20	700.73	707.26	708.24	724.93 (13/9)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	538.3	531.0	532.2	551.2 (3/8)	487.6 (13/6)

§ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE, ISEQ Overall and DAX − 1,000, JSE Gold − 255.7, JSE Industrials − 264.3 and Australia All Ordinary and Mining − 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday September 26 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Tokyu Land	21.6m	1,450	-100	Nippon Steel	14.0m	751	-5
Canon	20.2m	1,800	+80	Tokyu Corp	11.4m	1,940	+60
Maruetsu	18.7m	2,730	+380	Toei	10.6m	1,710	+180
Sankyo	14.8m	3,210	+130	Pioneer Elctro	10.3m	6,370	+170
Yaskawa Elctrc	14.5m	1,360	+30	Fanuc	10.2m	8,000	+500



2pm prices September 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
30¼	21¾	AAR	.44	1.2	22	440	20¼	24½	35¼	+ ½
9⅞	8¾	ACM n	1.31	11.		98	9¼	8	9	
11½	10¼	ACMIn	1.26a	11.		181	11⅛	11¼	11⅞	
10¼	8	ACM M	n1.01	11.		203	9	8⅝	9	+ ⅛
11½	10	ACM Sc	1.26	11.		885	11¼	11⅛	11⅛	
9⅝	9⅛	ACMSp	1.01	11.		261	9⅝	9	9	– ⅛
19	11½	AL Lab	.12	.8	17	17	19⅛	18⅞	15⅞	– ⅛
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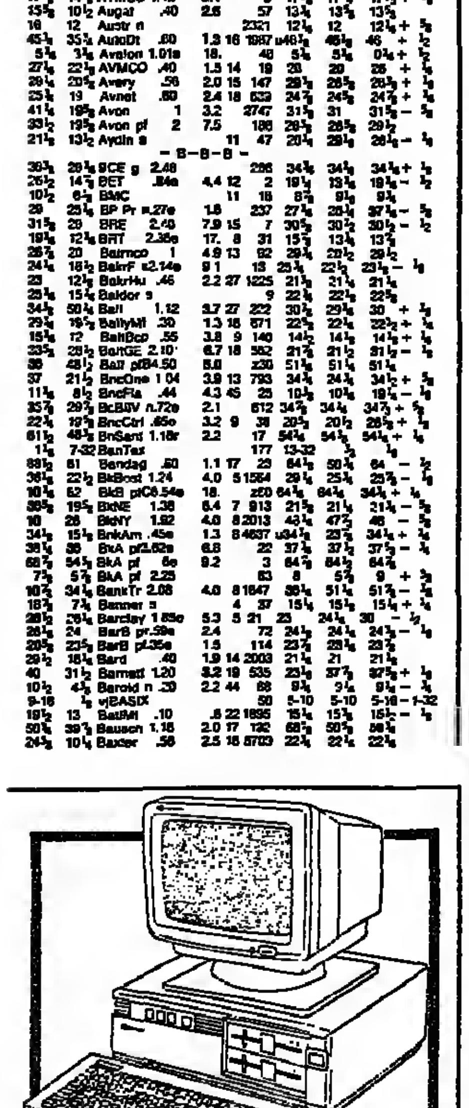

Continued on Page 47

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16	14½	SignSc			10	19	15¼	15	15	
34½	23½	SafKln	.36	1.1	25	726	34¼	33¾	33¾	−⅛
8¼	6⅞	SahCas	1.12	13.	73	6	8⅞	8⅝	8⅝	
26	19¾	StJoLP	1.52	6.8	9	16	22¼	22	22¼	+¼
28⅞	16	Salant			34	10	20	19¾	19¾	−⅛
47⅞	31⅛	SalleM s	.40	.8	20	1282	47⅞	47	47⅞	+½
29⅞	23⅛	Salomn	.64	2.5	14	3023	25¾	25½	25⅝	+¼
47⅞	33⅞	SDieGs	2.70	6.6	14	108	41⅛	40⅞	41	+⅛
9⅞	6⅛	SJuanB	.17e	1.9	53	122	9⅛	9	9	
18⅝	11⅞	SJuanR	2.25e		18	1	18¼	18¼	18¼	−⅛
...										
40½	44½	Xerox pf4.19		8.7		11	87¼	47¼	87¼	−⅛
44½	29½	XTRA	.72	2.5	9	369	29½	d29⅛	29½	−⅛
22	24½	XTRA pf1.94		7.9		887	24½	24½	24½	−⅛
4¼	9	Zapata				34	2½	2½	2½	−⅛
22⅞	14	ZenithE				620	14⅞	14½	14½	+⅛
10⅞	9¼	Zeninc	1.28	15.		168	8⅞	8⅞	8⅞	
2⅛	1¼	vjZenLb				482	1½	1½	1½	
21½	15	ZenNtl	.64	4.4	9	12	16	16	16	
18½	12⅛	Zero s	.48	2.3	19	415	17¾	17⅝	17¼	−⅛
44¾	20	Zurnin	.88	1.7	18	597	30½	30	30⅛	+¼
12	10	Zweig	1.12a	9.3		375	12	11⅞	12	+⅛
10⅛	8¾	ZweigTl	.96	11.		724	9⅛	9⅛	9⅛	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2pm prices September 26

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Prism		10	4	2⅞	2⅛	2⅛	−⅛
ProMed	.42	12	70	4⅞	4⅞	4⅞	

OVER-THE-COUNTER

Nasdaq national market, 2pm prices September 26

FINANCIAL TIMES Wednesday September 27 1989

AMERICA

Dow rises on programme buying

Wall Street

A ROUND of futures-related programme buying helped push equities broadly higher yesterday in moderate trading, *writes Karen Zagor in New York.*

At 2 pm, the Dow Jones Industrial Average was up 18.05 points at 2,677.24.

Volume on the New York Stock Exchange was moderately heavy, with about 94m shares changing hands by midday. Advancing issues led those declining by a ratio of two to one.

Although the Dow industrial stocks have moved well below their record high of 2,752.09, set on September 1, they have bounced off the 2,650 level three times since mid-August. One analyst said a drop below that level would indicate a more serious decline in the stock market.

Equities moved independently of the debt market, where US Treasuries were mixed in midsession trading. At the long end of the yield curve, the Treasury's benchmark 30-year bond was quoted up ⅛ at 98⅞, yielding 8.27 per cent, while at the short end the two-year issue was down 1/32 points at 99¾, yielding 8.44 per cent. Fed Funds, the rate at which banks lend to each other, changed hands at 9⅛ per cent.

Although the market had expected the Federal Reserve to add liquidity to the system by arranging customer repurchase agreements, the Fed did not intervene yesterday. The dollar managed to hold its ground in spite of further pressure from central banks.

At midday in New York, the dollar was changing hands at Y142.15 and DM1.8900, compared with Y142.20 and DM1.9025 late on Monday in New York. There were reports of four rounds of intervention by the Federal Reserve Bank of New York and several European central banks early in the day.

Stocks received some support from August's durable goods orders, which pointed to unexpected strength in the manufacturing sector.

The market had expected an increase in August's durable goods of about 1 per cent, but the actual figure was up 3.8 per cent, compared with a decline of 2.5 per cent in July.

However, this was partly offset by new orders for non-defence capital goods, which are considered a barometer of future plant and equipment spending. These plunged 9.8 per cent in August after jumping 5.9 per cent in July.

Ministers from the Organisation of Petroleum Exporting Countries (Opec) met yesterday to discuss lifting the cartel's collective output ceiling in the fourth quarter from the current 19.5m barrels a day.

However, the possible increase in Opec oil production did not have much impact on US oil company stocks. Chevron was up $¼ at $58⅜, Exxon added $⅛ to $45⅛ and Occidental Petroleum gained $⅛ to $29⅞, while Mobil fell $¼ to $56.

Columbia Pictures fell $⅛ to $26⅞ in heavy trading, after soaring $5⅞ on Monday on reports that the company would accept a takeover bid from Sony of $26 to $28 a share. Coca-Cola, which holds a 48 per cent stake in Columbia, added $1⅛ to $64⅛, while Sony gained $1⅛ to $61⅞.

Among other entertainment stocks, Walt Disney Company added $2⅛ to $121, Paramount Communications rose $1⅞ to $58⅝, MCA, parent of Universal Studios, gained $1⅞ to $65⅞ and MGM added $⅛ to $22⅛.

UAL, parent of United Airlines, gained $3⅞ to $277⅞ after British Airways expressed confidence that US airline regulators would approve its plans to take part in a $300-a-share leveraged buy-out of the company. British Airways slid $⅛ to $34⅞.

A number of blue chip issues posted gains in early trading, including IBM, which rose $1⅛ to $117⅞, and Merck, which gained $⅛ to $72⅛.

Canada

BUYING interest was light across the board at midsession as Toronto stocks rose in a quiet market.

Gold stocks fell, however, shedding some of the gains of the past few days.

The composite index rose 11.6 to 3,912.9 on volume of 16m shares. Declining stocks outnumbered those advancing by 218 to 208.

Bank stocks were active and mostly higher. Toronto Dominion rose C$⅛ to C$20⅜ while Bank of Nova Scotia climbed C$⅛ to C$17.

Athens hots up on foreign support

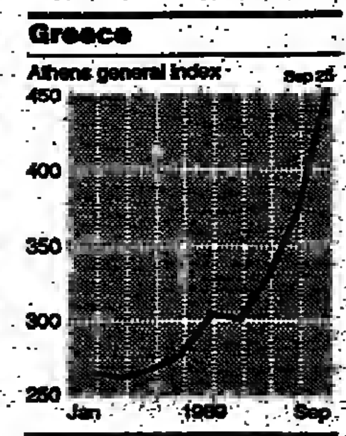
Rather ancient Greek practices are no deterrent, writes Kerin Hope

THE ATHENS Stock Exchange, where prices have soared to record levels in the past two weeks, is about to expand its activities with the addition of a parallel market for secondary Greek issues.

Mr Nikitas Niarchos, the bourse chairman, says the second-tier market will be launched within a matter of days and hopes to attract medium-sized companies with growth potential. To qualify, companies must have capitalisation of at least Dr100m ($606,000) and show satisfactory profits for the past three years.

Nobody is predicting a rush to raise capital on the parallel market, in spite of bank lending rates that start at about 21 per cent and hectic trading on the main board. Most analysts believe that a handful of companies will submit applications over the next few months, reflecting traditional caution among Greek businessmen over share issues.

What matters, according to Mr Niarchos, is "having the framework in place for deepening liquidity," with a large-scale expansion of the private sector expected medium term.



Under a law passed a year ago, the Athens bourse is gradually being modernised. But the pace of reform is slowed by lack of funds and the absence of a permanent secretariat for the exchange's policy-making body, the Capital Markets Committee, members of which have other full-time jobs.

On the second floor of the exchange, clerical staff sit surrounded by plastic bags full of share certificates, laboriously recording ownership in fat ledgers. There is no central depository for certificates.

"Just keeping track of business makes for tremendous practical problems. Most brokers feel the new law should be applied by specialists," says broker Mr Zacharias Portalis.

Computerisation has started, but it is still more than a year from completion and the timetable will depend on drawing European Community funds from the Integrated Mediterranean Programmes for regional development. At present, men wearing overalls slot figures into a wooden board above the trading floor as the 32 brokers shout their bids.

The new law allows securities firms to acquire seats on the exchange, but so far only five have done so, both subsidiaries of Greek banks. Several large firms have applications pending, but a dispute over guarantee amounts is delaying their entry.

The old-fashioned style of the bourse, however, has not deterred foreign buyers, who are credited with making about 20 per cent of daily transactions over the past two months. Local analysts say that investors from abroad are taking advantage of a market that had been slow to recover from the 1987 collapse, and where shares are generally undervalued.

The general index surged from 268.23 at the end of March to 453.32 on September 25, with daily volume rising from Dr200m a day to Dr818m over the same period. The rise was fuelled by sharply increased profits for the first half of 1989: more than half the 150 companies listed show a price rise of more than one-third, while a group of 25 has climbed by over 100 per cent.

Foreign interest has focused on cement producers, banks and some food processing firms and is no longer confined mainly to West European institutional buyers, with investors from Hong Kong and Japan beginning to move in.

With an election due in early November, the second this year, analysts say that prices are unlikely to ride much higher and may dip by 10 to 20 per cent if the conservative New Democracy party fails to win a clear majority. But they are confident a fall would be only temporary.

Mr Ilias Tsotakos, an investment consultant, says: "The profit outlook for 1990 is encouraging enough to outweigh political uncertainties."

ASIA PACIFIC

Nikkei surges to all-time high as turnover swells

Tokyo

EQUITIES rallied to a record high and volume surged as buying interest was buoyed by the yen's sustained strength and the start of trading for October, *writes Michiyo Nakamoto in Tokyo.*

Investment funds buying for the new term pushed the Nikkei average up to a new high in the first four minutes of trading. It was the first time the Nikkei had breached the 35,000 mark since August 22.

Strong buying interest supported share prices throughout the day and the Nikkei average surged 484.11 points to close at a record 35,444.82, which was also the high for the day. The day's low was 34,974.96.

Advances led declines by 669 to 264 and 147 issues were unchanged. Turnover swelled to 1.1bn shares from the 587.4m traded on Monday.

The Topix index of all listed shares posted a strong gain of 32.02 to close at 2,675.22. In London, the ISE/Nikkei 50 index gained 6.47 to 2,067.99.

Investment funds that swept into the market early in the day provided the trigger for an upsurge of buying that was not overwhelmed by an onslaught of profit-taking.

While a considerable amount of the activity could be attributed to dealers wanting to set the market off to a good start in the new business year, the yen's rapid rise did recover a measure of confidence in equities.

The yen's weakness and consequent expectations that interest rates would not be coming down in the near future had been one cause of despondency in the market.

The agreement by finance ministers at the Group of Seven industrial nations' meeting led to an immediate rise in the yen, but investors in Tokyo had been relatively cautious about returning to the market.

The yen's sustained strength, the influx of fresh funds from investment trusts and the intensified activity of dealers, however, produced an environment yesterday thet was much more conducive to active trading.

Issues with good earnings prospects stole centre stage and Fanuc saw a firm rise of Y500 to Y8,000 in active trading. The maker of computer-used machine tools and robots was expected to see a surge in profits.

Canon, the camera and precision instruments maker, was second most actively traded with 20.2m shares and advanced Y60 to Y1,900 on good earnings.

Yaskawa Electric, a maker of heavy electric machinery, firmed Y30 to Y1,360 as investors reacted positively to a broker's forecast that the company's recurring profits will reach a record high in the year to March.

Sankyo, a leading pharmaceutical company, advanced Y130 to Y3,210 in active trading, on the strength of its strong earnings prospects. Sankyo is also favoured as an issue that the four biggest Japanese brokers have recommended for the new term.

Restructuring and takeover speculation continued to provide the market with buying themes. Maruetsu, the supermarket chain, surged Y330 to Y2,730 on rumours that a well-known takeover group is buying up the company's shares.

Tokyu Corp, the railway company, also strengthened on expectations that it might lend a hand in restructuring the retail industry. Tokyu Corp, which belongs to the Tokyu group that includes retailers Tokyu Department Store and Tokyu Store, added Y60 to Y1,940.

Special interest issues supported buying interest in Osaka and the OSE average surged 333.85 to a record 35,704.46. Turnover, however, slipped to 128m shares from the 144m traded on Monday.

Roundup

MARKETS were mixed again in the Asia Pacific area, with Hong Kong easing after its four-session rally and Australia regaining some lost ground.

HONG KONG edged down as local investors took profits on property and utility stocks after four days of gains. Foreign investors, however, remained active buyers, limiting the market's overall decline. The Hang Seng index lost 13.29 to 2,725.41 in busy turnover of HK$1.3bn worth of shares, less than Monday's heavy HK$1.6bn.

Hong Kong-related stocks were hit later in London trading after China's leaders repeated that Hong Kong should not be used as a base to oppose communism, and said they had not altered their goal of regaining Taiwan and would not rule out the use of force.

Profit-taking focused on companies in the Jardine Matheson group, which have reported strong interim results recently. Jardine Matheson Holdings eased 40 cents to HK$21.80 and Hongkong Land fell 10 cents to HK$8.75. Jardine Strategic, the holding company for several of the group's interests, lost 20 cents to HK$13 after announcing a 36 per cent rise in first-half profits.

AUSTRALIA climbed back over the 1,700 level on the All Ordinaries index after shares had opened lower. Bargain-hunters helped the index add 16.5 to 1,703.1, after falling to 1,682.5 earlier.

Turnover was again boosted by trading in Elders IXL, the brewing, agribusiness and finance group which has received a takeover offer from Harlin Holdings of A$3 a share. Total volume of 200m shares worth A$332m included 83.65m shares traded in Elders.

TAIWAN fell sharply after the Securities and Exchange Commission said that it would introduce its new measures on Friday, designed to curb stock market manipulation. Last week, the commission decided that it would stop providing computerised information about outstanding orders to buy or sell a stock when it has moved up or down by the maximum 5 per cent daily limit.

The weighted index, which opened higher, closed 103.32 down at 10,693.73.

SINGAPORE finished mixed in moderate trading. The Straits Times industrial index rose 2.08 to 1,387.62.

EUROPE

Frankfurt retreats as optimistic Paris rallies

BOURSES were split between those feeling glum about interest rates, such as Frankfurt, and those moving ahead under their own steam, including Paris and Madrid, *writes Our Markets Staff.*

FRANKFURT fell sharply under the weight of interest rate worries. The DAX index lost 26.3, or 1.6 per cent, to 1,609.03 and the FAZ index, calculated at midsession, fell 5.87 to 663.57.

Turnover of DM4.6bn was moderately active but below Monday's level.

Among the worst losers were Deutsche Bank, down DM14.50 at DM683.50; Daimler, off DM18.50 at DM777.50; and Siemens, DM13.80 lower at DM608.20. In contrast, construction issues held up well and retailers eased only slightly.

Among retail stocks, Asko added DM3 to DM906 after Monday's news that it planned to take legal action against Ahold of the Netherlands in an attempt to resume co-operation talks. One market maker, however, said that Asko's rise was more a reflection of the current strength of retail stocks than a response to moves on Ahold.

PARIS made a late rally in fairly strong contrast to Frankfurt. Sentiment was supported by several factors, said one salesman, including investors' expectations of strong corporate earnings next month and an anticipated inflow of new money into the market. The CAC 40 index gained 13.23 to 1,915.69 and the OMF 50 rose 2.74 to 531.99.

Most of yesterday's gains came in selective stocks or second liners. For example, LVMH, luxury goods and drinks group, added FFr107 to FFr4,575; Carrefour Supermarkets gained FFr7 to FFr3,665; and Generale des Eaux, the water treatment group, rose FFr56 to FFr2,226.

Eurotunnel advanced FFr3.20, or 4.6 per cent, to FFr72.70. The rise followed an easing of the labour tension over Channel tunnel work.

MADRID saw its strong patch continue, with the general index hitting a record high. The index added 1.10 to 328.63, passing the previous all-time peak reached on September 13.

An analyst said that signs that Spanish economic growth was slowing down had encouraged the market and that share prices were well-supported at current levels. He added, however, that the rally was now likely to lose pace in the run-up to the general elections.

The utility sector remained in favour with the speculators, as electricity stock Iberduero rose 1.25 percentage points to 148 per cent of par and Fecsa added 1.75 to 55.

Banks, which have lagged the market this year, also attracted demand, with Banesto up 10 at 1,165.

BRUSSELS rose to another all-time peak in anticipation of good corporate results. The cash market index picked up 6.41 to 6,805.26, but falls outnumbered rises.

Société Générale de Belgique, the holding company which was due to release first-half results after the close, put on BFr170 to BFr3,770.

STOCKHOLM recovered from sharp morning losses and closed slightly higher as investors sought bargains. However, trade was generally slack. The Affärsvärlden general index rose 1.5 to 1,265.0.

Central Bank figures showed that Sweden's net import of foreign shares had increased significantly after January's lifting of rules governing how many foreign stocks Swedes could buy.

Saab free B shares rose SKr9 to SKr235 as its biggest shareholder, investment company Barkman, bought slightly more stock in the auto company.

Handelsbanken, ordinary restricted shares rose SKr3 to SKr127 on an 8 per cent rise in eight-month operating profit.

MILAN slipped across the board for the second consecutive day as the market's underlying tone remained weak because of tight liquidity conditions. The Comit index fell 4.45 to 707.49 and volume remained very low.

An analyst said: "What we are seeing is just a consolidation; there is no news coming out of the market at the moment and there are some big rights issues under way."

Investors are also awaiting details, expected later this week, of the Government's 1990 deficit-reduction package.

ZURICH eased after Wall Street's losses with the weak dollar weighing on prices. Slightly higher interest rates also dampened market sentiment. The Crédit Suisse index fell 7.3 to 648.4.

Blue chips, in particular, came under selling pressure. Bearers of Ciba-Geigy, the chemical group, fell SFr110 to SFr4,250 while Hoffmann-La Roche bearers shed SFr200 to SFr7,950.

AMSTERDAM edged lower as dollar-sensitive stocks were hit by the falling dollar. The CBS tendency index lost 1.2 to 196.8.

DSM, the chemical company, eased 50 cents to Fl 127 in active trading. The offer of a second tranche of 12m government shares in DSM for Fl 125 a share began yesterday, and was said to have been oversubscribed.

Ahold, the retailer, fell 10 cents to Fl 137.40 on Monday's news that it faces legal action from Asko of West Germany.

VIENNA hit a third successive record high, buoyed by foreign interest. The bourse index added 6.59 to 490.36.

SOUTH AFRICA

GOLD stocks continued to build on the gains of the past few days in quiet Johannesburg trading, although profit-taking reduced advances.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY SEPTEMBER 25 1989						FRIDAY SEPTEMBER 22 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	152.76	−0.2	140.80	128.63	−1.0	5.10	153.13	144.10	129.96	157.14	128.28	138.80
Austria (19)	160.14	+8.8	147.81	158.64	+1.8	1.54	154.24	145.14	158.15	160.14	92.84	87.62
Belgium (63)	142.38	+2.5	131.24	140.63	+0.4	3.93	138.87	130.68	140.07	142.38	125.58	119.18
Canada (123)	148.06	+0.1	136.47	126.24	−0.2	3.20	147.80	139.17	126.53	153.59	124.67	118.32
Denmark (38)	197.53	+1.3	182.07	199.21	−0.6	1.59	195.00	183.50	200.43	219.89	165.35	130.48
Finland (26)	128.72	+1.3	118.64	118.43	−0.6	2.38	127.08	118.58	117.34	159.18	125.81	115.50
France (126)	136.64	+1.8	125.95	138.30	−0.4	2.72	134.29	126.37	138.87	136.64	112.57	97.00
West Germany (97)	102.27	+3.0	94.26	101.31	+0.6	2.02	99.31	93.46	100.66	102.27	79.56	79.08
Hong Kong (46)	115.64	+1.3	106.59	115.87	+1.3	4.84	114.17	107.43	114.42	140.33	88.41	100.35
Ireland (17)	158.78	+3.1	148.35	159.97	+0.7	2.77	154.00	144.92	158.80	168.69	125.00	129.45
Italy (97)	94.74	+1.6	87.32	97.35	−0.5	2.35	93.27	87.77	97.88	96.73	74.97	72.23
Japan (455)	184.64	+2.8	170.18	166.49	+0.7	0.48	179.68	169.06	165.37	200.11	164.22	155.84
Malaysia (36)	203.22	+0.5	187.31	210.22	+0.1	2.48	202.17	190.25	210.00	203.22	143.35	134.54
Mexico (13)	316.41	−0.8	291.64	894.27	−0.5	0.56	318.81	299.64	898.94	321.99	153.82	164.30
Netherland (43)	130.77	+1.5	120.53	128.35	−0.7	4.13	128.84	121.24	129.25	130.77	110.83	101.28
New Zealand (20)	81.86	−0.7	75.45	72.81	−1.3	4.92	82.40	77.55	73.73	88.18	62.84	70.40
Norway (24)	188.29	+1.6	173.55	178.32	+0.0	1.45	185.41	174.47	178.35	198.39	139.92	111.83
Singapore (26)	165.77	−0.2	152.80	150.08	−1.0	1.86	166.09	156.29	151.54	170.62	124.57	118.15
South Africa (60)	158.04	+0.8	145.67	138.46	+0.8	4.09	156.73	147.48	137.59	158.04	115.35	100.69
Spain (43)	167.11	+2.3	154.03	151.67	+0.5	3.40	163.40	153.77	150.64	167.11	143.14	134.98
Sweden (35)	177.85	+0.3	163.92	170.87	−1.1	2.01	177.32	166.87	172.73	188.94	136.45	119.62
Switzerland (64)	91.47	+1.9	84.31	93.94	+0.0	2.01	89.73	84.43	93.95	94.18	67.81	77.29
United Kingdom (306)	156.11	+1.7	143.89	143.89	−0.4	4.14	153.54	144.49	144.49	158.41	133.28	124.27
USA (548)	139.87	−0.7	129.01	139.97	−0.7	3.29	140.99	132.68	140.99	143.84	112.13	109.99
Europe (996)	132.67	+1.9	122.28	127.30	−0.2	3.27	130.17	122.50	127.54	132.67	112.63	103.06
Nordic (121)	166.12	+0.8	153.12	156.01	−0.8	1.82	164.73	155.02	157.25	178.38	137.95	113.50
Pacific Basin (670)	180.82	+2.8	166.66	163.06	+0.6	0.73	176.22	165.83	162.05	194.72	160.44	152.68
Euro-Pacific (1666)	161.69	+2.4	149.04	148.64	+0.8	1.57	157.94	148.63	148.12	166.96	141.56	132.87
North America (671)	140.35	−0.7	129.37	139.11	−0.7	3.28	141.31	132.97	140.06	144.24	112.79	110.42
Europe Ex. UK (690)	117.62	+2.1	108.41	117.01	+0.0	2.64	115.20	108.41	117.03	117.62	96.30	89.78
Pacific Ex. Japan (215)	134.61	+0.2	124.25	120.04	−0.4	4.68	134.55	126.62	120.47	137.65	111.93	117.14
World Ex. US (1862)	161.28	+2.3	148.66	148.03	+0.3	1.65	157.68	148.38	147.54	166.35	141.49	132.07
World Ex. UK (2104)	152.28	+1.3	140.36	145.40	+0.0	1.98	150.39	141.52	145.36	155.66	136.98	123.37
World Ex. So. Af. (2350)	152.58	+1.3	140.63	145.28	+0.0	2.16	150.62	141.74	145.31	155.92	136.67	123.57
World Ex. Japan (1955)	137.61	+0.3	126.84	134.54	−0.5	3.34	137.19	129.10	135.19	138.29	114.51	108.04
The World Index (2410)	152.81	+1.3	140.66	145.23	+0.0	2.17	150.66	141.77	145.26	155.89	136.68	123.43

Latest prices were unavailable for this edition.